The Times
INSURANCE NUMBER

No. 45,523 LONDON, TUESDAY, MAY 27, 1930

EQUITY & LAW LIFE ASSURANCE SOCIETY

ESTABLISHED IN THE YEAR 1844

18 LINCOLN'S INN FIELDS, LONDON, W.C.2.

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Deputy Chairman: PHILIP GEORGE COLLINS, Esq. (Peake, Bird, Collins & Co.)

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WILLIAM PEYTON PHELPS, Esq.
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Auditors.
Messrs. PRICE, WATERHOUSE & Co.

Joint Solicitors.
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E. GEORGE WHATELY, Esq.
17, Lincoln's Inn Fields.

Medical Officer.
ERNEST E. LEWIS, M.D., M.R.C.S.
30, Weymouth Street, W.

Manager and Secretary.
A. C. THORNE, Esq., F.I.A.

Actuary.
F. A. P. LEWTY, Esq., F.I.A.

QUINQUENNIAL ANNOUNCEMENT

EXTRACT FROM BONUS REPORT, 1929

Amount of Life Assurance Fund as at 31st Dec., 1929	£8,704,234
Liabilities brought out by the Valuation	7,664,084
Surplus	£1,040,150
Surplus now divided	£803,474
Interim Bonus paid during Quinquennium with Interest thereon	83,509
Surplus divisible in respect of Quinquennium ending 31st Dec., 1929	£886,983

The rates of Bonus range from £2.2.0 per cent. per annum to upwards of £4 per cent. per annum.

In addition to the reserves, as brought out by a very stringent valuation, the Society has made the following SPECIAL RESERVES:

INVESTMENT RESERVE FUND £100,000

CARRIED FORWARD £203,629

The sum now apportioned to Policies participating amounts to two-fifths of the aggregate premiums paid, or assumed to be paid, during the quinquennium in respect of such Policies. The minimum rate of Interim Bonus payable has been fixed at £2 2s. per cent

TOTAL FUNDS EXCEED £8,900,000

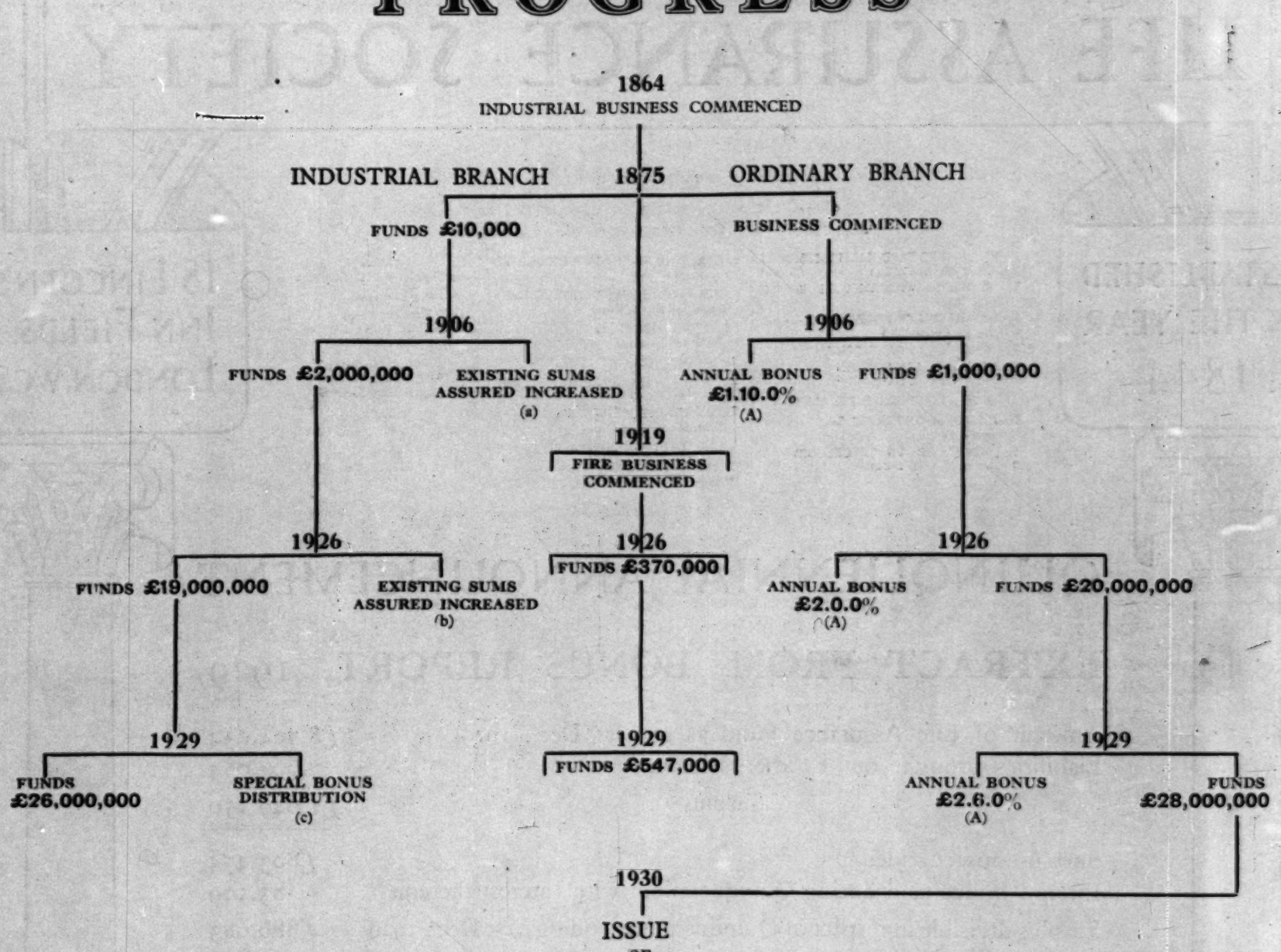
NEW SUMS ASSURED IN 1929 £2,043,719

For Full Prospectus Write to-
THE MANAGER - 18 LINCOLN'S INN FIELDS, LONDON, W.C. 2.

PEARL

ASSURANCE COMPANY LIMITED

PROGRESS



INDUSTRIAL BRANCH

(a) In 1906 the prospectus was revised, the sums assured for whole of life policies being increased by approximately 6%. These benefits were made retrospective to all existing policyholders at an estimated cost of £482,000.

(b) In 1926 the prospectus was again revised, the sums assured for whole of life policies being increased by approximately 11%. These benefits were made retrospective to all existing policyholders. This concession increased existing sums assured by £9,036,116, and was estimated to cost £3,800,000.

(c) As a result of the 1929 valuation a bonus was declared on all policies (with a few exceptions) issued before the 1st January, 1923, on which premiums were being paid on the 10th March, 1930. The bonus took the form of an addition to the sum assured in accordance with the following scale:—

Bonus on policies subject to a premium of 1d. weekly or 4d. monthly	Whole Life Assurances	Bonus 1/4d.
	Endowments and Endowment Assurances	Bonus 1/-

ORDINARY BRANCH

(A) The Bonuses declared are additions to the sums assured, and are payable with the sums assured.

(B) This new policy has many attractions. A special feature is the payment of periodical benefits, whilst the policy still continues to provide the major benefits of a life policy—a substantial sum at death or a handsome profit in the event of survival. Full particulars will be supplied on application to

CHIEF OFFICE: HIGH HOLBORN, LONDON

The LONDON ASSURANCE

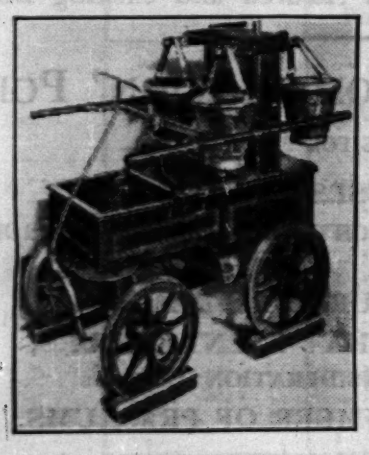
1720—1930

Progress under Eight Monarchs

COLIN F. CAMPBELL,
Governor.

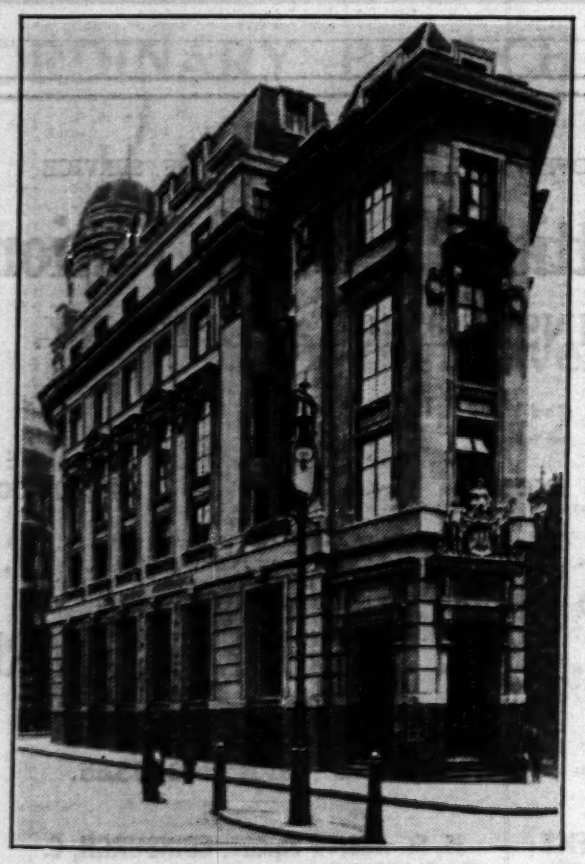
AFTER more than two centuries of steadily increasing usefulness and prosperity, the London Assurance to-day holds a position of which its originators would hardly have dared to dream. But they laid the foundations well. Enterprise, tempered by caution, dogged persistence in the face of early difficulties, and in time of success an unswerving adherence to the principle that soundness is more important than size—such were the characteristic qualities of these pioneers of assurance. The tradition has been followed faithfully. In financial strength, in public confidence, and in the service which it offers to Policy-holders, the London Assurance of to-day has an enviable reputation.

Old Fire Mark of the London Assurance.



An Eighteenth-Century Fire Engine of the London Assurance.

A series of Eighteenth-Century Fire Marks, used to distinguish property insured by the London Assurance.



HEAD OFFICE
OF THE LONDON ASSURANCE

Before 1720 there had been no regular system of insurance, policies being underwritten by goldsmiths, bankers and merchants, who made Lloyd's coffee house in Lombard Street their headquarters for this kind of business.

It was on June 22nd, 1720, that the London Assurance was incorporated by Royal Charter, as an amalgamation of two schemes tentatively proposed the year before. The first charter was only obtained after many petitions and the promise of a payment of £300,000 to George I.'s Government, then in financial difficulties with the Civil List. Business at first was confined to the assurance of ships, goods and merchandise at sea or going to sea, but was extended to include life and fire by a second Royal Charter in the following year. In 1891 former Special Acts were repealed and a measure passed enabling the Corporation to carry on not only marine, fire and life assurance, but to "grant assurances and contracts of indemnity against any and every description of loss or liability whatever."

The capital of the London Assurance was fixed at £1,500,000, and the original list of subscriptions taken at Garraway's coffee house in Change Alley is still in existence. £5 was paid up on each £25 share, and a very large proportion of the assets of the new Corporation was "laid out in South Sea Stock, as an undoubted security." The financial chaos that followed the bursting of the "South Sea Bubble" naturally reacted on the fortunes of the London Assurance. For a time the shares were almost unsaleable. But the storm was successfully weathered and after two centuries the £2 10s. shares, £1 5s. paid, are recognized as a sound investment at £10.

OFFICE CHANGES

With increasing business the London Assurance soon grew out of its first premises at the Rising Sun in Broad Street, where the original staff consisted of a secretary, an accountant, three clerks, a messenger and a doorkeeper. In 1930, by way of contrast, the staff at the head office alone numbers nearly 400.

By August 19th, 1720, the office was in Cornhill, at the end of Birchin Lane. Twenty-eight years later larger premises in White Lion Yard, Birchin Lane, suffered in the great Cornhill fire. Burnt out as it was, the Corporation saved its books and papers. Perforce it went into a temporary home at the Buffalo's Head, in Threadneedle Street, but in 1750 is found on the east side of Birchin Lane. The well-known offices in the Royal Exchange were acquired in 1845. More accommodation being needed, however, the Corporation bought a freehold at the corner of King William Street and St. Swithin's Lane, and soon after the celebration of its 200th anniversary moved into the fine building erected thereon. The Marine business of the Corporation is carried on at No. 157, Leadenhall Street, in close proximity to Lloyd's new building.

On receipt of the Fire Charter in 1721, the first action of the Corporation was to form its own fire brigade, whose duties were confined to protecting the property of those, and those only, who were insured with the London Assurance. To supplement the primitive manual engines and leather buckets a floating engine was later acquired. It was operated from a barge, and on one occasion the Duke of Clarence lent it his distinguished assistance during a fire in Whitehall, where it did "astonishing execution in putting a stop to the progress of the flames," according to a contemporary account. The London Assurance maintained its independent fire brigade until 1833, when it joined forces with other fire offices in the London Fire Engine Establishment, superseded in 1866 by the Metropolitan Fire Brigade.

The earliest form of Life Assurance begins "In the Name of God, Amen," and gets to business as follows:—"The said Governor and Company therefore do assure, assume and promise that the said Nicholas Browne shall, by the Permission of Almighty God, live, and continue in this Natural Life for and during the said Term and space of Twelve Callendar months as aforesaid. Or in Default thereof, that is to say, in case the said Nicholas Browne shall in or during the said Time, and before the End and Expiration thereof, happen to dye or decease out of this World by any Ways or Means whatsoever, the Corporation will pay the sum assured." It will be remarked that this policy, like all the early ones, is for one year only.

Such was the simple life scheme of the seventeen-twenties The extent to which it has developed, with corresponding advantage to the assured, will be gathered from the programme of the London Assurance as presented to-day:—

LIFE ASSURANCE. ATTRACTIVE POLICIES.

Policies may be effected either with or without a right to share in profits.

ALL PARTICIPATING POLICIES in force at date of any Quinquennial division of profits share in the surplus then divided, at the present time participating policies receiving

A COMPOUND REVERSIONARY BONUS OF £2 PER CENT. PER ANNUM.

Intermediate Bonus will be allowed at the full rate set out above in respect of With Profit Policies, included in the 1925 Valuation, which shall become claims (Whole Life or Endowment Assurances maturing) during the Quinquennium 1926-1930.

The following Table illustrates the growth of a £1,000 Policy if a Bonus at the rate of £2 per cent. per annum is uniformly maintained:—

Number of Premiums paid from the commencement.	Total Sum Assured with Bonus Additions from the commencement.
5	£1,100
10	1,210
15	1,331
20	1,464

In view of the large amount—over £200,000—carried forward at the last Valuation, and the favourable conditions which have obtained during the present Quinquennium, the bonus prospects are extremely encouraging.

SPECIAL SCHEMES.

The London Assurance is prepared to quote for every form of risk involving a life contingency, and they have a number of special schemes.

CHILDREN'S EDUCATION POLICIES,
CHILDREN'S DEFERRED ASSURANCES,
PARTNERSHIP ASSURANCES,
GUARANTEED INCOME POLICIES,
COMBINATION POLICIES, etc.,

all of which are interesting and some contain features not offered by other Offices.

POLICIES TO PROVIDE DEATH DUTIES are also issued, and they contain provisions to enable the Duties to be paid direct to the Commissioners without waiting for the grant of Probate.

The conditions of Life Policies with the London Assurance are exceptionally liberal. The scale of Surrender Values is generous, and most policies are subject to non-forfeiture regulations.

In approved cases the London Assurance is prepared now to supplement Life Policies by providing in consideration of a small extra premium that in the event of total permanent disablement of the life assured arising before age 60, all subsequent premiums shall be waived, and an Annuity equal to 10 per cent. of the sum assured shall accrue to the life assured after six months' disablement. This condition is particularly attractive to professional men.

The London Assurance is always open to advise Employers upon the subject of Pensions or other Staff Assurance Schemes for the benefit of their Employees, and it is found that a number of Employers are glad to take advantage of the assistance offered to inaugurate schemes of this kind.

FIRE INSURANCE.

In the Fire Department property of every description can be insured against loss or damage by fire, both at home and abroad, on terms reduced to the minimum by an experience of two hundred years, and drawn from all quarters of the globe. Dwelling houses can be insured for 1s 6d. per cent., and their contents at 2s. per cent. Householders' Comprehensive Policies are issued at 5s. per cent.

ACCIDENT AND MARINE DEPARTMENTS.

Policies in the Accident Department cover all classes of Casualty Risk, and are free from vexatious conditions. With all Personal Accident and Sickness Insurance a special reduction is granted to the Corporation's Life Policy-holders.

The Marine Department, with its numerous Agents at home and abroad, effects insurances of all kinds, to and from all parts of the world, whether by sea or land, on goods, specie, bullion, registered letters, freights and hulls.

In the course of its 210 years of life the premium income of the London Assurance and its allied companies has risen from £10,480 to £4,958,028. Its total assets to-day are £13,562,168 and its reserves amount to more than twice its paid up Capital. The investment policy of the company has been such that, in spite of the fall in prices last year, the valuation shows a substantial surplus on the book values.

Head Office:

1, King William Street,

LONDON, E.C.4.

Telephone: Mansion House 7860 (8 lines). *Telegrams: London Assurance, Cannon, London.*

EAGLE STAR

AND BRITISH DOMINIONS INSURANCE CO. LTD.

Sir Edward M. Mountain, Bt., J.P., Managing Director.

1 *Threadneedle Street, London, E.C.2*

The independent and progressive company transacting all classes of insurance

ASSETS EXCEED

£22,000,000

ATLAS

ASSURANCE COMPANY LTD.

HEAD OFFICE: 92, CHEAPSIDE, LONDON, E.C.2.

ESTD. 1808

Insurance Business of Every Kind Transacted

INTERIM BONUS FOR THE YEAR 1930 ON WITH-PROFIT LIFE POLICIES

48/- per £100 per annum

calculated on the Sum Assured and existing Bonus.

THE ATLAS 'COMBINATION' POLICY

PROVIDES FOR PAYMENT OF

BONUSES IN CASH

ON ATTAINMENT OF A SPECIFIED AGE (OR ON EARLIER DEATH)

AND

SUM ASSURED AT DEATH,

WHENEVER THAT EVENT OCCURS,

IN CONSIDERATION OF

A LIMITED NUMBER OF PREMIUMS.

For **net** annual cost of **£34.11.6** for **20 years** a life aged 35 can secure immediate **With-Profit Assurance for £1,000.** Bonuses of **£590.8.0** would, at present rate of bonus, be payable at age 55, and sum assured of **£1,000** payable at death.

OVER ONE HUNDRED YEARS OF SERVICE

Scottish Union & National

INSURANCE COMPANY.

ASSETS EXCEED £15,500,000

UNITATE FORTIOR

FIRE · LIFE · ACCIDENT · MARINE

UNDOUBTED SECURITY
SUBSTANTIAL LIFE BONUSES.

HEAD OFFICE: 35, St. Andrew Square, EDINBURGH, C.

LONDON OFFICES: 5, Walbrook, E.C.4, & 4, St. James's St., S.W.1.

WITH BRANCHES & AGENCIES IN ALL PARTS OF THE WORLD.

REFUGE
ASSURANCE COMPANY LIMITED

The progressive achievements of careful administration and technical skill:—

INDUSTRIAL BRANCH

Age at Entry	SUM ASSURED. Payable at Death. For a WEEKLY PREMIUM of 1d.				1928	1929
	1887 Prospectus	1910 Prospectus	1923 Prospectus	1927 Prospectus		
	£ s.	£ s.	£ s.	£ s.		
11	10 0	10 17	12 19	15 6	Distribution of Profits to Industrial Policyholders	Further distribution of Profits to Industrial Policyholders
30	6 3	6 12	6 19	7 18		
45	3 14	4 1	4 2	4 9		
60	1 18	2 2	2 2	2 4		

Policyholders who are unable to continue their contracts are granted free policies after payment of one, three, or five years' premiums, according to class of policy.

ORDINARY BRANCH

In 1891 the first reversionary bonus was declared at the rate of £1 2s. 6d. per cent.

By 1929 the reversionary bonus had increased to £2 4s. 0d. per cent.

In 1923 the rates of premiums for without-profit assurances were reduced throughout.

CHIEF OFFICE: OXFORD STREET, MANCHESTER

SUN

INSURANCE OFFICE LIMITED.

ESTD. 1710

The Oldest Insurance Office in the World

ALL PRINCIPAL CLASSES OF INSURANCE TRANSACTED

including

FIRE — MOTOR — BURGLARY
MARINE — ACCIDENT — Etc.

The Office is prepared to act as

EXECUTOR and/or TRUSTEE

HEAD OFFICE:
63, THREADNEEDLE STREET, LONDON, E.C.2

Branches and Agencies throughout the World.

THE LONDON & LANCASHIRE INSURANCE CO. LTD.

THE LONDON & LANCASHIRE INSURANCE COMPANY LTD

transacts every kind of insurance business.

CHIEF ADMINISTRATION:
7, CHANCERY LANE, LONDON, W.C.2.

BUDGET BURDENS

HOW CAN THEY BE EASED?

Income-tax is up; Sur-tax is up; Death Duties are up.
How can one provide out of a diminished income during Life for increased Duties at Death?

MORE THAN ONE SOLUTION

(because age is such an important factor)

is offered by the

NORTH BRITISH & MERCANTILE

INSURANCE COMPANY Ltd.

ESTABLISHED 1809. **Total Funds £38,992,900.**

ALL CLASSES OF INSURANCE BUSINESS TRANSACTED.

CHIEF OFFICES:

LONDON - - - - 61, Threadneedle St., E.C.2.
EDINBURGH - - - - 64, Princes Street.

Full particulars, with figures which apply to you personally, may be obtained by writing your age next birthday on your private card, and sending it in an envelope marked "Budget Burdens" to the Managing Director, at 61, Threadneedle Street, E.C.2.

ESTABLISHED 1762

PROVIDE FOR THE FUTURE

MAXIMUM COVER
LIFE ASSURANCE
AT MINIMUM COST

For a Monthly Premium of
£2:1:2
a Man aged
30
next birthday can secure a policy for
£1,000

ANNUAL PAYMENT (TOTAL)	..	..	..	..	£24	14	0
INCOME TAX RELIEF AT 2/-	..	..	..	..	2	9	4
NET ANNUAL COST..	..	..	..	..	£22	4	8

This sum is payable for 20 years only, so that the MAXIMUM AMOUNT he can expend after allowing for tax at the above rate is

£444:13:4

While his estate will benefit to the extent of

£1,000

SEND THE COUPON BELOW FOR DETAILS OF A POLICY TO MEET YOUR CASE.

"PHŒNIX"

ASSURANCE COMPANY, LTD.

HEAD OFFICE:
PHŒNIX HOUSE, KING WILLIAM ST., LONDON, E.C.4.

To the PHŒNIX ASSURANCE COMPANY, LTD.,
PHŒNIX HOUSE, KING WILLIAM STREET, LONDON, E.C.4.

Please send me full details of a Policy providing MAXIMUM COVER at MINIMUM COST.

My age next birthday is.....and I can deposit £..... per month/annum (cross out one).

NAME .....

ADDRESS .....

.....

T.I.S. 5/30

Commercial Union Assurance

Head Office:
CORNHILL, LONDON

INSURANCES OF EVERY DESCRIPTION

TOTAL ASSETS

at 31st DECEMBER, 1929
(including Life Funds),
exceeded

£61,000,000

Branches & Agencies throughout the World

THE UNITED KINGDOM PROVIDENT INSTITUTION

A Mutual Office Established 90 Years Ago

FUNDS EXCEED £18,000,000

THE Institution was founded in 1840, originally for the purpose of granting Assurances on the lives of total abstainers, but for over eighty years it has issued policies both to abstainers and non-abstainers.

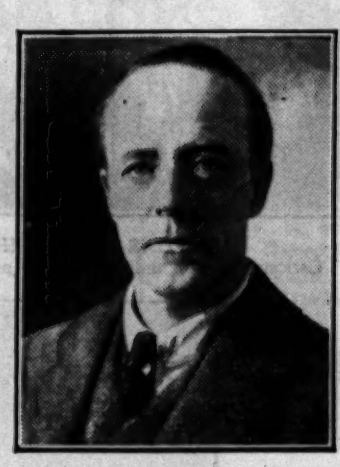
It is one of the comparatively few Offices which confines itself to purely life business on the Mutual plan, and as there are no shareholders to intercept any portion of the profits these belong exclusively to the With-Profit Policyholders.

COMPOUND BONUSES.

Experience has proved that the most popular method of distributing surplus profits is that known as the Compound Reversionary Bonus system, and the Institution's periodical surpluses have been allocated on this system since 1685. Bonuses are calculated not merely on the sum assured, but also on the bonuses previously added, thus giving a substantial advantage—as compared with the Simple Bonus system — to policies of long duration.

"COMPOUND" and "SIMPLE" Bonuses compared:—

This advantage may be illustrated thus: The Institution's current rate of Compound Bonus is £2 1s. 0d. per £100 per annum, and on this basis the original sum assured would be doubled in 35 years. Had the Bonuses been on the "Simple" plan, the corresponding addition to the sum assured would be 72 per cent. instead of 100 per cent. Alternatively, to secure as good a result under the "Simple" plan, the yearly bonus throughout the period of 35 years would have to be at the rate of £2 17s. 0d. per cent. per annum. It is clearly important, therefore, to bear this point in mind in estimating the merits of a Compound Bonus Office with those of an Office distributing its profits on the Simple Bonus plan.



The Rt. Hon.
WALTER RUNCIMAN
(The Chairman).

WHOLE-LIFE ASSURANCES.

The maximum advantage of the Compound Bonus System is, of course, obtained under Whole-Life Assurances, and the Institution has on its books many cases where the Sum Assured with accumulated Bonuses amounts to more than two and a half times the original Sum Assured. There is an increasing disposition among Assurers to concentrate on policies which mature during their own lifetime, and though such policies have, of course, their legitimate uses, the primary need of the man with family responsibilities is the Whole Life Policy under which he secures the maximum protection for dependents in the event of his premature death.

ENDOWMENT ASSURANCES.

After due provision has been made for this contingency, any further sums available may well be applied to the purchase of other forms of assurance. Of these, Endowment Assurances will doubtless make the strongest appeal, since they combine provision for later years with a measure of family protection Apart from the assurance element, such policies offer distinct attractions from an investment point of view. A 15-year Endowment Assurance With Profits at current rates shows at maturity a return of all premiums paid (allowing for rebate of income-tax at 2s. in the £) with compound interest of 4 per cent. per annum. This is equivalent to an ordinary investment showing a gross yield of over 5½ per cent. The Endowment Policy has the additional attraction that, in the event of premature death, the full sum assured and accrued bonuses would be paid to the Assured's heirs, while in the case of an ordinary investment only the actual amount invested would be available.

CHILDREN'S PROVIDENT POLICIES WITH EDUCATIONAL OPTIONS.

A form of Policy which is now very popular with parents is the *Children's Optional Policy.* The main principle of this policy is that the parent starts it while the child is still young—the younger the better, in fact There is no Assurance until the child has attained a certain age, 21 or 25 as a rule, but when that age is reached the person insured—now a young man or a young woman—is enabled by the thrift and foresight of his or her parents to obtain for a given annual outlay from two to three times the amount of cover that would have been possible had the Assurance been effected at age 21 or 25.

ADVANTAGEOUS TERMS.

The Institution offers specially advantageous terms under this class of policy, and a child aged one next birthday is enabled, for an annual premium of £10 paid by the parents during childhood, and by the child himself later on, to insure (if conversion takes place at age 21) for £1,568 without profits or £1,168 with profits. Moreover, in the case of a recently born child the policy may be dated back to the date of birth, in which case even larger benefits are granted. In the extreme case, where the conversion takes place at age 25, the sum assured is £1,772 without and £1,340 with profits.

PROVISION FOR HIGHER EDUCATION

Another valuable feature of these Policies is that, should it be found desirable, the policy may be terminated at, say, age 16 and the moneys utilised for educational purposes. For example, in the case of a policy effected at birth at an annual premium of £10 the parent may, in the child's sixteenth year, terminate the policy and take an annuity of £51 6s. 0d. per annum for four years.

MONTHLY PREMIUMS.

For the convenience of the large class of assurers in receipt of monthly salaries it can be arranged that their premiums shall be paid by monthly instalments either

(a) in cash to any of the Institution's Branches.
(b) by payment in cash to selected Banks.
(c) by banker's order.

OTHER SPECIAL POLICIES.

THE INSTITUTION OFFERS, AMONGST OTHER THINGS:—

SPECIALLY LOW NON-PROFIT RATES FOR WHOLE-LIFE POLICIES FOR £500 AND UPWARDS.

ASSURANCE WITHOUT MEDICAL EXAMINATION UP TO £1,000 ON FIRST-CLASS LIVES UNDER 50 YEARS OF AGE.

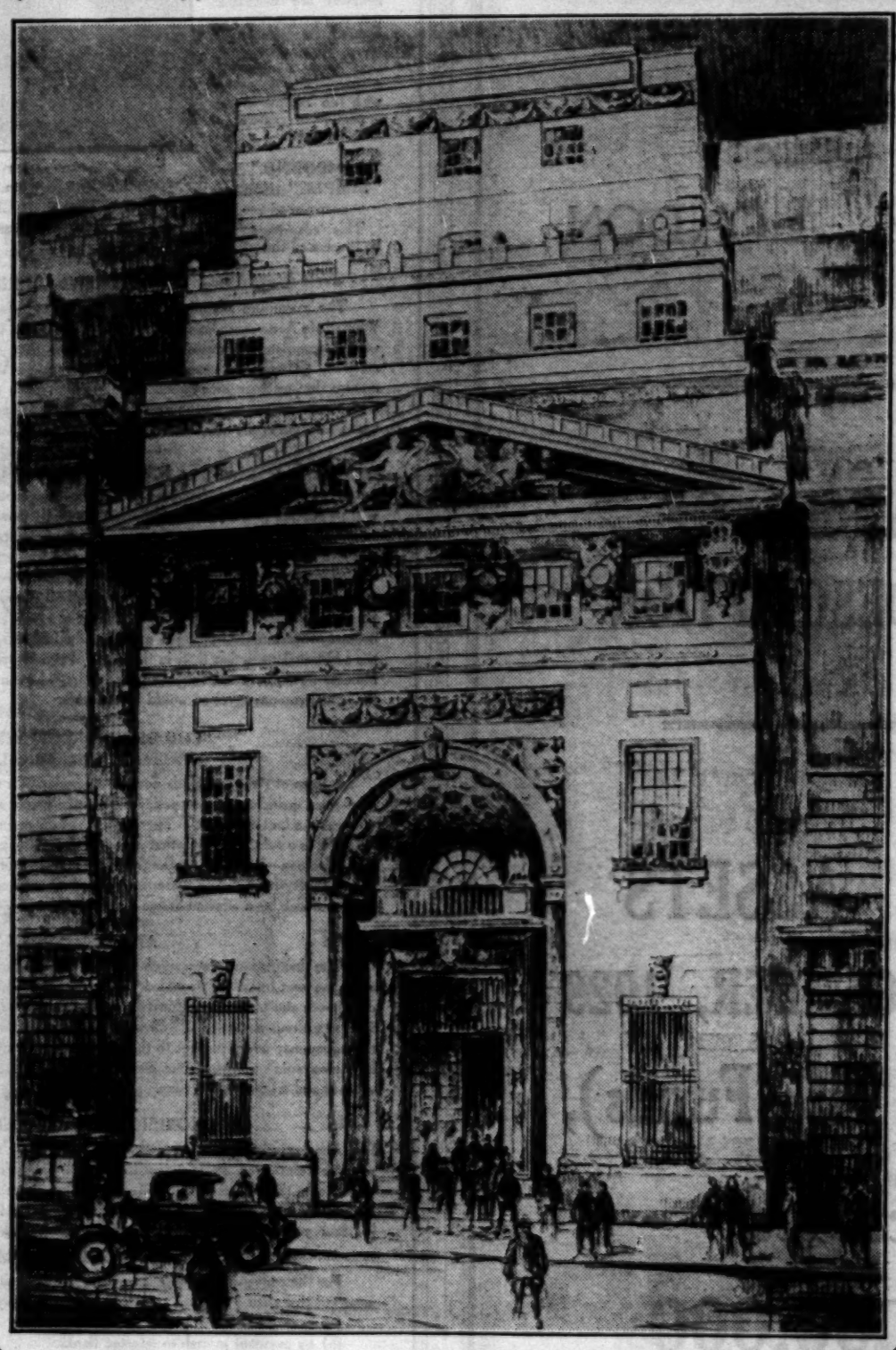
ASSURANCE COMBINED WITH AN ADVANCE TO ENABLE POLICY-HOLDERS TO BUY THEIR OWN HOUSES.

HEAD OFFICE: 196, STRAND, LONDON, W.C.2.

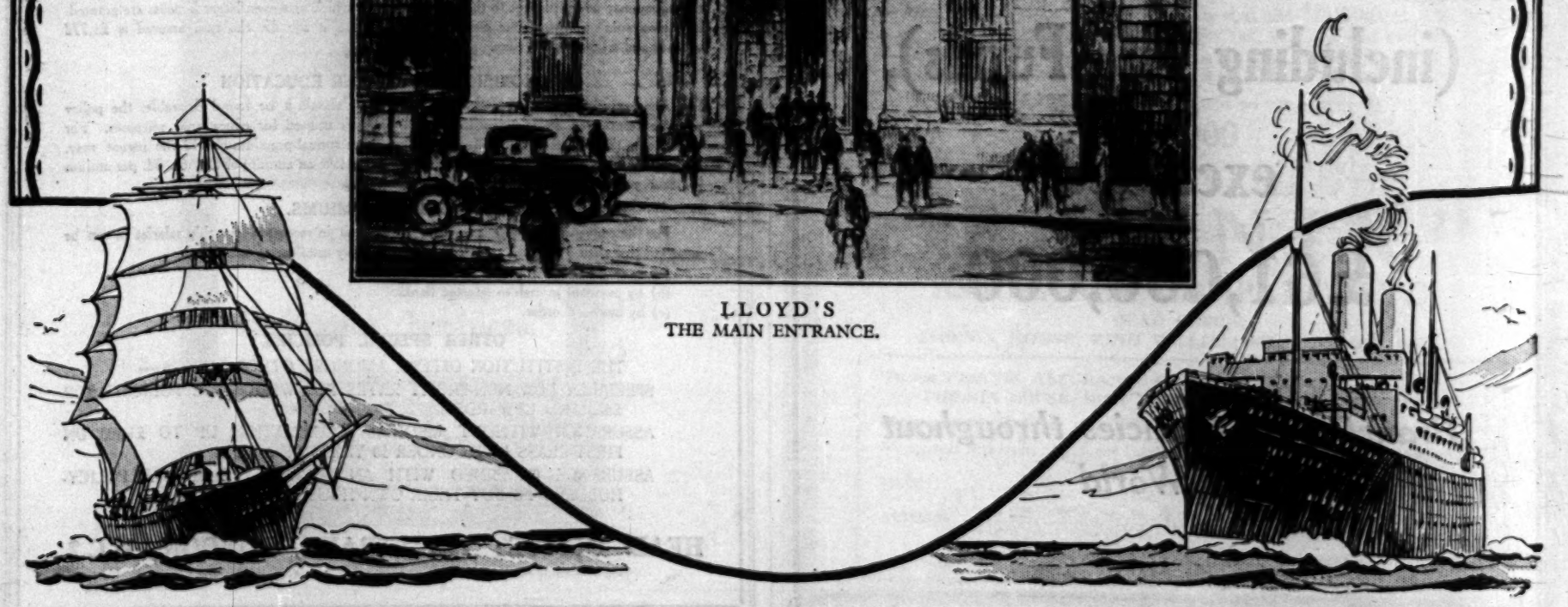
LLOYD'S

LLOYD'S COFFEE HOUSE
Caricature by an unknown artist, published in 1798.

THE UNDERWRITING ROOM AT LLOYD'S—1930



LLOYD'S
THE MAIN ENTRANCE.



The Times

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Tuesday, May 27, 1930

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A Great British Industry

Four years have passed since the last Insurance Number of *The Times* was published, and in the meantime much progress has been made in all the various phases of insurance. Developments have been duly recorded in the daily issues of the paper and in the Annual Financial and Commercial Reviews, but the occasion again seems appropriate for presenting in a Special Number a picture of the British insurance industry as a whole. The pages which follow show how wide are the varieties—the differences are so great that, at first glance, each type might seem to have little, if any, connexion with the other. The actuary who undertakes to pay a sum on the death of an individual or on the attainment of a specified age has, for example, to deal with a set of factors quite different from those confronting the underwriter who covers merchandise against the perils of the sea, or of fire, or insures a piece of jewelry, wherever its owner may choose to carry it. Yet there is one principle common to the acceptance of all the multitudinous risks—namely, the spreading of them. It is the business of the underwriter to quote such rates as will be worth the while of the individual to pay and will, in the aggregate, provide a sum sufficient to meet all the claims when they occur and to hold out the prospect of reasonable remuneration for his work and skill. The most scientific of the many forms of activity is probably life assurance, and with this, thanks to the prolonged and elaborate labours of the actuarial associations, the cost of providing financial protection can now be assessed with a considerable degree of accuracy, whereas in other types of business, such as burglary, motor, and aeronautical insurance, the underwriter has to take more on trust, since the conditions are continually changing. There are many types of institutions transacting the different forms of insurance—mutual and proprietary, offices established in this country and abroad, tariff and independent companies, and private underwriters. For the public, doubtless, there are certain advantages in competition which, in insurance, is intense, although a point may be reached in all industries when excessive competition becomes harmful instead of beneficial.

Insurance in one form or another is helpful to every one, and while some of the articles in this Number will appeal especially to experts, many will provide information that should be useful to the ordinary reader and can be easily assimilated. Apart from the private citizen's direct interest in insurance, there are phases of British insurance which are of national concern, for it is truly a great British industry. During the last few weeks the reports have been issued of a large number of British companies with premium incomes derived from fire and general insurance business which, in the aggregate, amount to a great many millions sterling, and it may well be asked whence such large totals are derived. The best estimates are that about 25 per cent. of these premium incomes, or rather less, is secured in this country, and that the rest is drawn from every part of the world—often in quite small amounts. Marine insurance is even more international in character. Although the premium incomes from these various types of insurance are large, the liabilities assumed are, of course, infinitely greater. There are definite advantages to the insuring public through this wide spreading of risks by British companies, since when catastrophes occur funds can be instantly transferred to the scene of trouble and loss, a consideration which might well be borne in mind by Governments when reviewing the restrictions imposed on insurance companies with headquarters in other countries. In so far as British underwriters are able profitably to transact the business they write oversea, the earnings, after charging all the expenses incurred, represent a not insignificant part of the country's invisible exports. The marked ability of British insurance institutions to render these services in all parts of the world may be attributed to their long establishment, and to a natural flair for underwriting, which has been passed on from generation to generation and has been developed by careful training, and to security, based on strong finance, of the highest order.

Insurance is dependent on credit, and the leading British institutions have, often at heavy cost (through the prompt payment of vast sums in settlement of claims), gained credit which is rightly valued by business men of all nationalities. Their prestige, in spite of, and even because of, the severe financial disturbances of the last few years, has never stood higher than to-day, and the pages which follow, to which men eminent in their spheres have contributed, show that there is every intention of maintaining unimpaired the distinguishing characteristics of British insurance.

LOSSES BY FIRE. The damage caused by fire in Great Britain and Ireland last year was estimated in *The Times* to amount to nearly £11,800,000. Our photograph shows the burning of the historic Lulworth Castle, Dorset, on August 29, 1929.

THE SPREADING OF INSURANCE

OLD AND NEW FORMS

HAZARDS AS A BUSINESS

(From Our Insurance Correspondent)

Chairmen of the great British insurance corporations are accustomed, when describing at the annual meetings the results of the preceding 12 months, to refer in more or less detail to the work of the different departments, accounts, sections, spheres, markets or branches. Of such a selection of terms "branches" would seem in this connexion to be the least attractive, for if all the activities of the offices are only "branches" the question is raised of what the central bodies actually consist. Further, "branches" have their special significance as implying the numerous subsidiary offices which the corporations maintain away from their headquarters in charge of branch managers.

The need to use some such term as "department" is itself a sign of the many kinds of business which the great British insurance companies now transact. The older forms are always being developed and new types are constantly being devised to meet changing needs and conditions. One of the oldest forms of insurance is life, and life assurance now extends far beyond its original purpose of financially safeguarding dependents against the risk of the premature death of the head of the family. It is also used, in conjunction with this main object, for providing incomes for the later years of life, and is employed to meet the cost of educating children, and for the acquisition of house property and the payment of death duties. Among some of the latest developments of life assurance are contracts covering large bodies of men and women, including employees; the combination of insurance against the risks of sickness and accidents with ordinary life policies; and the arrangements made for the payment of annual premiums by the salaried classes through monthly instalments.

This last concession is a movement in the direction of making ordinary life assurance as simple as it has long been for many millions of persons whose premiums are collected from door to door at weekly or monthly intervals by the agents of the industrial life offices. The industrial method of bringing assurance direct to the homes of the masses is bound to be expensive, yet by discovering how greater efficiency could be secured vast savings have been made within recent years, the benefits of which have accrued to the assured. At one time, admittedly, much industrial assurance was rather crude. The practice within the last few years has been refined—the process is continuing—and policyholders now participate in the surpluses realized by bonuses comparable with those allotted to policyholders who effect with-profit policies in the ordinary departments.

Marine insurance is another old form of business which, in some of its aspects, bears little relation to the early ideas. Its expansion is due not only to a vast increase in values, such as is implied in the difference between the small sums required to cover little sailing vessels or steamships of a few hundred tons register and the million sterling represented by the latest large liners. Shippers of goods have gradually learned to appreciate the assistance of insurance to a degree that is positively embarrassing to underwriters, who are now frequently asked to cover, besides the long list of perils directly associated with transport by sea, a number of other possibilities which they possess very little means of assessing. Even with the most elaborate statistics it must be exceedingly difficult to attempt to estimate with precision the cost of providing for merchandise of all kinds in transit insurance against such a formidable additional collection of contingencies as "theft, pilferage, shipowner's liability, non or short delivery, breakage, leakage, mud, oil, grease, hook, fresh water damage and injury by other cargo." Taint alone raises nice issues. Doubtless the demand for insurance against such extraneous risks has contributed to the highly unfavourable results of marine underwriting which have been the rule for many years past, and so a greater recognition of the uses of insurance has recoiled on those who are in business to provide it.

Fire insurance, another old and essential form of business, has lately leapt forward, and now spreads much beyond the primary danger which it was devised to quell. The risk of the direct damage to property has been accepted by underwriters for centuries, but new factors have been introduced by the extensive use of such inflammable commodities as petrol and celluloid, while insurance against consequential loss, commonly called loss of profits, is a quite modern practice, and is still advancing. Experience has taught that even a small outbreak in a vital part of a business building may have the most far-reaching effects on earning capacity and, as a safeguard, the aid of insurance is invoked. Associated with fire insurance is financial protection against other catastrophes which may disturb and inconvenience householders, and the comprehensive policies now cover such other perils as storm or tempest and burst water pipes. In their work in various parts of the world insurance companies are frequently asked to accept the risks of earthquakes, tornadoes, hurricanes, floods and hail—and also consequential losses—and some of the heaviest individual claims that have ever had to be met by insurance companies have been in respect of these risks, very difficult to limit, from the forces of nature.

The youngest insurance department, and a highly progressive one, is the casualty, accident, general or miscellaneous, which embraces an especially ample assortment of risks. The senior form of insurance in this department is the personal accident, with which has been associated, in modern times, workmen's compensation. Other notable forms of business in this section include burglary insurance, the pressing need for which is made apparent in the swift and criminal events of every day, motor risks, insurance against the breakage of plate glass windows, a host of engineering contingencies, such as boiler explosions and the breakdown of lifts, the insurance of valuable pedigree bloodstock and livestock, and the guaranteeing of fidelity. Many other risks are covered in the general departments, such as the liabilities of the public under common law for the exercise of proper care (as, for example, the duty of restaurant keepers to avoid negligence in the preparation of the food they set before their customers), the financial effects of wet weather on open air entertainments (transacted by one company in a section of its own), the risks of the loss of limbs by stage performers, or of their valuable musical instruments, and of the effects of civil disturbance, which are dependent on the course of politics in many countries.

Even this brief outline of some of the uses of insurance sufficiently indicates the need for ingenuity on the part of its practitioners and, happily, this has been coupled with the strict observance by the leading British institutions of sound finance. The fate that has overtaken those concerns which have failed to blend caution with enterprise has demonstrated that it is far easier to lose money in underwriting risks than it is to render all these services on terms acceptable to the assured and reasonably profitable to those who risk their capital in a business consisting of hazards.

ASSISTANCE FOR TRADE

CREDIT GUARANTEES

THE WORK OF BRITISH COMPANIES

(By Cuthbert E. Heath)

Thirty years ago, more or less, a small company was formed to insure credits. It did not succeed—a failure due to various causes, but these did not include an excessive loss ratio. The writer was offered the reinsurances of the company, and undertook them. It seemed to him that the principle of credit insurance was sound—as sound as that of any other form of insurance. An example will show best the idea underlying the principle of credit insurance.

"A" is a small contractor, "B" is a wood merchant, "C" is the insurance company. "B" has been in the habit of allowing "A" a three months' credit of £500 for timber supplied, and has always found "A" punctual in meeting his liabilities. One day "A" comes to "B" and says he has been offered a contract which will involve asking "B" to allow him a credit of £2,000 instead of £500. "B" himself does not think his own resources will justify him in risking as much as £2,000, however satisfied he may be of "A's" integrity and capabilities. He therefore approaches "C" and asks that company to take part of the risk off his ("B's") shoulders. Having by inquiry satisfied themselves that "A" is to be trusted, "C," for a premium, consents to relieve "B" of half the risk—namely, £1,000. The result is that "A" is able to carry out his contract, "B" has been able to sell his wood, and everyone is satisfied.

BASIS OF CREDIT INSURANCE

Two things must be noted. So far from "B" having insured a risk which he thought dangerous, he has shown his confidence in it by increasing his liability. He has done this not only because he believes in "A," but also because the result of "C's" inquiries has strengthened and justified that belief. Such, then, is the basis of credit insurance. The assured must show his faith in the safety of the proposed transaction by taking a large part of the liability on his own shoulders, and "C" must confirm that faith by its own independent inquiries.

This principle being kept in view, and seeming to them to be sound, the reinsurers of the original insurance company, on its failure, continued the business as direct insurers. The volume of premium increased slowly, losses were never excessive, and there has been no looking back.

As the business grew it was necessary to enlarge the market, and induce more insurers to join in the venture, and this task has been successfully accomplished. There are now connected with the Trade Indemnity Company as shareholders, reinsurers, or both, 18 insurance companies—among them some of the most powerful in the world. It is now possible for the Trade Indemnity to give cover on a first-class risk up to £400,000, an amount very rarely required.

As time went on and more and more use was made of credit insurance, especially in foreign trade, it was realized that the intelligence department of the company had to be enlarged and strengthened. It was felt that only by enlisting the interest and help of foreign companies could foreign intelligence be perfected. We thought that if credit insurance companies could be formed, not by us, but by responsible persons abroad, if these companies would not only investigate the status of their own nationals, but would justify their faith by sharing in the risks so advised upon, an international intelligence organization of first-rate importance could be formed. The idea found favour immediately, and we can now point to companies, mostly formed after consultation with us, in Argentina, Austria, Belgium, Czechoslovakia, France, Germany, Holland, Italy, Spain, Sweden, Switzerland, and the United States of America, all of whom correspond and work with us under the system mentioned above.

INTERNATIONAL COOPERATION

It must not be supposed that these companies are mushroom concerns. Without exception they have been formed with the cooperation of the best and strongest banks in these different countries, and so far we believe they are doing well, and the business is undoubtedly growing. From the point of view of getting trustworthy information we have already experienced the extreme value of this international cooperation. Where formerly we had to rely on such facts as we could gather in this country with respect to foreign firms—often with disappointing results—we have now reports, which the senders are interested to have correct, from the compatriots of these foreign firms themselves. The results have been extremely satisfactory. It must be remembered, too, that inasmuch as our assured have to bear a considerable portion of their risk, this accurate information is equally valuable for them. Indeed it justifies them in venturing where perhaps it would otherwise have been rash for them to accept transactions on credit terms.

Periodically international meetings are held to discuss the various problems connected with credit insurance, and valuable results have been obtained. The first of these meetings was held in London, the second in Paris, and the third is to take place in Berlin next month. The number of countries represented continues to increase. We expect 22 at the Berlin Conference.

This, then, is the present position of credit insurance. It is growing, it has been successful from the profit point of view, and it has undoubtedly been of great use to the trader. The Trade Indemnity alone insured transactions amounting roughly to £25,000,000 last year. There is no reason why the benefit to trade and to employment which this large amount of insurance has brought about should not increase provided there is no interference with the business. And that brings me to the one thing which undoubtedly handicaps us.

THE GOVERNMENT DEPARTMENT

Soon after the War the Government of the day, looking round for means to help British trade and industry, seems to have taken note of this idea of credit insurance. It came to the conclusion, which was certainly justified at that time, that the market for these risks was not sufficiently large. This was no new thing. During the War the market was too small for the enormous number of War risks to be insured and the same consideration applied to the insurance against hostile aircraft damage. The Government stepped in, helped to enlarge the market, and when the need for the enlargement ceased retired from the field.

Not so with credit insurance. In the beginning the Department concerned was glad to get the advice of those who had practical knowledge of the business, and that advice and help were willingly given. Unfortunately, however, instead of abiding by the principles in which many years' experience had shown that safety lay, new methods were undertaken. The results were disastrous. So far from the business showing the steady profits which the non-Government institutions have consistently earned, a very large loss was added to the burdens of the taxpayer. A committee was appointed to consider the situation. The Government was advised to adopt some of our methods, but by no means all. Still more losses occurred. No doubt as a result of these losses, yet more of the "Private" insurers' methods were ultimately adopted.

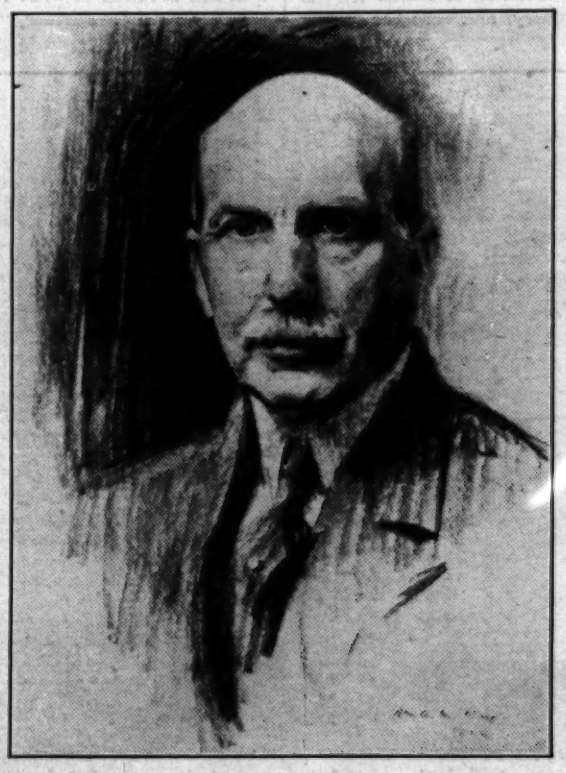
Apparently there was not much improvement in the financial results, and another committee was got together. This committee has advised that proper accounts should be published, that a sponge should be drawn over the early failures, and that the Department should continue to operate in the hope, it may be supposed, that it may still justify its existence.

PAYMENT "ON REQUEST"

Meanwhile undoubted harm is being done to what I think may be called the legitimate business of the insurance companies. A pernicious practice prevails owing to the wording of the Government policies. Losses are paid "on request." Though there are clauses provided which bar a fraudulent claim, it is simply shutting the stable door after the horse has been stolen.

There are other reasons why it can be contended that it would be better to leave this credit insurance business to insurance experts—better for the assured and better for an industry which was started in this country, and of which this country is still admittedly the leader. Government interference may certainly deprive it of that lead and might even bring about the ending of what has been, and continues to be, a most useful aid to commerce.

It must not be thought that insurance companies are in any way jealous of the Government Department. If its affairs were conducted on proper insurance lines and with the same economy as that of the insurance companies there would be no grounds for complaint. It is only a fair field and no favour for which we ask, and we know then we can hold our own and believe we can extend the usefulness of what promises to be a very great asset to the British trader.



A PIONEER.—Mr. Cuthbert E. Heath, chairman of the Trade Indemnity Company, who has been a pioneer in various forms of insurance, including credit risks.

LEGISLATION FOR INSURANCE

PROPOSALS DEFERRED

CHANGES IN COMPANY ACCOUNTS

(FROM OUR INSURANCE CORRESPONDENT)

Seldom, if ever, can so much time have been expended by the members of a Departmental Committee as was devoted by the Committee formed on July 30, 1924, to inquire into and report on what amendments were desirable in the Assurance Companies Act, 1909. The Committee was appointed by Mr. Sidney Webb (now Lord Passfield), the President of the Board of Trade, during the first term of office of a Labour Government. The chairman was Mr. A. C. Clauson, K.C. (now Mr. Justice Clauson), and the committee included representatives of the Department of the Government Actuary, the Board of Trade, life assurance offices, and fire marine and accident insurance institutions, together with the Industrial Assurance Commissioner. It was a thoroughly representative committee of the Government Departments concerned, and of the insurance industry. The committee held scores of meetings, it took a vast amount of evidence, and it reported in March, 1927—two years and eight months after it was appointed.

The committee was exceptional in that not only did it investigate and report with extreme care, but it did its utmost to try to ensure that its recommendations should be carried into full effect. It dealt with highly intricate questions, and one of the difficulties that had been encountered, and led, indeed, to the appointment of the committee, was that the Assurance Companies Act, 1909, which was the last measure affecting assurance as a whole, did not fully carry out the obvious intentions of the experts on whose recommendations it had been introduced. In the course of time some of the phraseology used was proved to be open to question.

Thus the word "funds" was employed in the Act when it would appear that "assets" was intended. A stipulation that life assurance "funds" should be kept distinct from the "funds" of other departments was not sufficient to ensure that the assets should be kept distinct, since "funds" may be indicated by book-keeping entries and the "assets" might be still combined.

THE INSURANCE UNDERTAKINGS BILL

The difficulty in giving precise effect to the intentions of the sponsors of the Act of 1909 had evidently been due to the draftsmanship, and the committee appointed in 1924 resolved that, in so far as they could safeguard their intentions, they would do so. Accordingly Mr. L. A. J. Granville Ram, Third Parliamentary Counsel to the Treasury, was invited to join them, in order to assist them in embodying their conclusions in a Bill. The time taken by the Departmental Committee in reporting could not, in fact, be compared with that taken by other committees, for when this Assurance Departmental Committee reported it included a draft Insurance Undertakings Bill giving precise effect to its recommendations. There was reason to hope that, as the subject matter of the Bill was non-contentious, Parliament would gladly approve, without question, a measure which, by general admission, was needed and, at the same time, was full of technicalities.

Meanwhile the Labour Government, which had appointed the Committee, fell and when the committee reported more than three years ago a Conservative Government was again in power. The non-contentious character of the measure then seemed to augur well for its early introduction into Parliament and quick passage through its various stages. These hopes were, however, disappointed. A Conservative Government, with a large majority, could find no time for a measure which closely affected a great British industry and was the outcome of action taken by its predecessor which had gone into Opposition. The Conservative Government went out, a Labour Government came into office last May, and again, so far, no time has been found for the introduction of the measure.

In anticipation of its introduction and passage, a number of the recommendations of the committee have already been given effect to by insurance institutions. Some of the proposals were the outcome of troubles which had arisen in the affairs of certain companies, and among the proposals were the granting of increased powers to the Board of Trade to enable them to call to book concerns whose finance did not merit the confidence of the public. The proposals were such as soundly conducted offices which, happily, have always been in the great majority, were quite ready to adopt. The managers of these companies and societies have been at least as concerned as anyone to try to ensure that British life assurance, and other forms of insurance, should never be brought into disrepute through slackness, or worse, on the part of a quite insignificant minority of offices. Although these few concerns which failed to be true to the great traditions of British assurance have been of limited scope and influence, the publicity which their affairs received could not do good to British credit, and all the leaders of the British insurance industry approved the closing of the doors to the possibility of even rare mistakes.

The labours of the Committee were not, therefore, in any event quite in vain. Yet the measure proposed by the Committee was comprehensive. It would have brought the legislation governing insurance, which hitherto has always been provided separately, up to date, and it is distinctly curious that proposals arrived at after so much labour by an expert Committee should have been pigeon-holed for so long.

CONSOLIDATED ACCOUNTS

Unexpected results have flowed from the delays. Some of the clauses in the draft Insurance Undertakings Bill dealt with the manner in which insurance accounts should be presented and they gave effect to certain recommendations. It is a tribute to the soundness of the British insurance companies undertaking most forms of insurance business that they work in all parts of the world. They do so directly, and also through subsidiary undertakings, which they have formed or acquired. Big general offices have brought within their sphere many subsidiary companies, some of a national character, others transacting particular types of business, such as marine and various forms of accident insurance, and it is held that the issue of consolidated accounts obviously best reflects the true financial position of the group. Competition in insurance throughout the world is extremely keen, and the British offices have been assisted by the evidence of their undoubted financial strength and the size of their reserves.

It happened that in January, 1925, the Board of Trade appointed a Committee to consider and report what amendments were desirable in the Companies Acts of 1906 to 1917 and that this Company Law Committee, which was appointed six months later than the Assurance Committee, reported 10 months earlier, and effect was given to its recommendations in an Act passed last year. Representatives of the insurance industry did not participate in the inquiry which led to the new company legislation. It was generally recognized that insurance accountancy had already been dealt with and provided for separately. This company legislation provided, however, for the separation of the accounts of subsidiary undertakings from those of the parent offices, and had there been any idea in the insurance industry that the company legislation on such matters would have applied to insurance, evidence would undoubtedly have been presented in order that the special arguments applying to insurance might receive full consideration. Indeed, it is contended by many financial authorities that a true appreciation of the position of any group of associated companies in any industry can only be formed if consolidated accounts are available.

STATUTORY BALANCE-SHEETS

Last autumn, when it was realized that the passing of the new Companies Act and the postponement of the insurance measure would require from the insurance companies a separate balance-sheet excluding the figures of all subsidiary companies, urgent representations were made to the authorities. These were received with every courtesy and much sympathy, but the state of public business precluded, it was declared, the introduction of even a small Bill to put the matter right. The accounts of British insurance companies circulate throughout the world, and much comment to the disadvantage of British offices would have been inevitable if accounts showing very different figures from those customary in the past had been published without comment, and even had this been made it would not always have received the same publicity.

The situation has been met to some extent this year through the issue by many of the offices of their accounts in two forms. The combined accounts have been published as heretofore, and, in addition, statutory balance-sheets in accordance with the new Companies Act, showing the shareholdings in subsidiary companies. This arrangement is regarded as only temporary, for the insurance industry would find it hard to believe that the introduction of the Insurance Undertakings Bill, which deals fully with insurance accounts, will be indefinitely postponed. British insurance, through the important place it has won for itself throughout the world, is one of the valuable invisible exports of this country, and an opportunity should surely be found to remove a difficulty which might detract from its prestige.

PROGRESS OF LIFE ASSURANCE

LARGER BONUSES

NON-PROFIT PREMIUMS REDUCED

(By William Penman, F.I.A., Deputy-Chairman, Life Offices' Association)

Progress implies improvement, and, consequently, the progress of life assurance must be measured by something more than mere increase in the volume of business transacted. But, in the case of a population still to a great extent either uninsured or under-insured, increase in volume is by no means an unimportant criterion of progress. The population of Great Britain and Ireland, in round figures, was 45,500,000 in 1911, 47,000,000 in 1921, and to-day is probably about 49,000,000. The total funds of British life offices, including both "ordinary" and "industrial" offices, were £395,000,000 at the end of 1910, £527,000,000 at the end of 1920, and to-day are probably about £900,000,000. It is satisfactory to note that life assurance funds during the last 20 years have been growing much more rapidly than the population and that in the last decade, as compared with the preceding decade, the rate of increase has more than doubled. For those who are engaged in the business, however, this satisfaction should be tempered by the reflection that life assurance in Great Britain will not be in an entirely satisfactory position until, proportionately to the population, the funds held by life assurance offices are at least double what they are at present—say, £35 per person, instead of about £18 per person. Of course, the proportion existing between funds and population is not the only relevant comparison which can be made.

NEW SUMS ASSURED

Conclusions of a similar character could be drawn from the growth in new sums assured and the growth of premium income; but new sums assured produce premium income, the growth of premium income is reflected in the funds, and, on the whole, therefore, for a simple comparison the total of the funds is as good a basis as can be selected. Quantitatively, then, life assurance has made good progress during the last 20 years, but further and still more rapid progress is greatly to be desired and is essential to place the business in the position which it ought to occupy.

Life assurance, however, is more than a business. It is primarily a trust administered by directors and managers for the benefit of the policyholders. In many cases there are no shareholders, and where there are shareholders their interest is usually restricted to not more than 10 per cent. of the profits earned. An existing policyholder is only indirectly interested in the growth of the life office with which he is connected, and, consequently, true progress must be associated with some improvement in the position of the individual policyholders, quite apart from any expansion of business which may have taken place. Progress in this sense can only result from improved security and greater financial strength. It may take the form of lower rates of premium in the case of non-profit policies, of higher bonuses in the case of with-profit policies, of improved conditions and more liberal surrender values.

Considering for a moment the position as regards security and financial strength, it has to be borne in mind that the financial position of an office depends on its reserves, on its additional reserves, and on how the experienced rates of mortality, interest, and expenditure compare with those "expected." There have been no material alterations during the last 20 years in the rates of interest and in the tables of mortality used in the calculation of reserves, but, comparatively, the position is greatly improved, for the earned rate of interest has increased, mortality is lighter, and expenditure in most cases, although probably a little heavier, has not greatly increased.

HIGHER RATE OF INTEREST

Stability in the expense ratio and light mortality are of very great importance, but the outstanding factor producing the improved position is the higher net rate of interest earned on the funds, notwithstanding the high rate of income-tax now payable as compared with the pre-War rates. Before the War it was a fairly general practice to distribute, in the form of bonuses to holders of with-profit policies, approximately the whole of the available profits, but latterly it has become more usual to distribute profits rather more conservatively and, as a result, in many cases substantial additional reserves, in one form or another, have been accumulated. Briefly, during the last 20 years the standards used in calculating ordinary reserves have remained unchanged, but in many cases substantial additional reserves have been added, and in nearly every case the actual results exceed those assumed by far larger margins than was formerly the case.

Reverting for a moment to the improved interest yield, if the total funds be £900,000,000 at the present time, and if the improvement, as compared with 1910, be 15s. per £100 per annum (probably an under-estimate), it is evident that the life assurance offices among them have nearly £7,000,000 a year more surplus than would be the case if the 1910 conditions still prevailed. I am not going to attempt to measure accurately the annual value of the improved position—suffice it to say that £7,000,000 is certainly a minimum.

The business of most offices consists in part of with-profit policies, the holders of which are partners in the business, and in part of non-profit policies, the holders of which are customers. It is very rarely necessary to alter scales of with-profit premiums. If conditions be bad—as was the case from 1914 to 1919, both inclusive—bonuses are reduced or passed altogether; if conditions be normal, bonuses are maintained, while if conditions be unusually good, bonuses are increased. Conditions have been very good during the last 10 years, and there has been an all-round increase in rates of bonus compared with the pre-War rates. Premium scales vary considerably, and, other things being equal, a heavy scale produces large bonuses, but, on the average, pre-War bonuses varied from about 25s. to 35s. per £100 per annum as a reversionary addition to the sum assured.

Current bonuses vary from 35s. to 45s., or perhaps one should say from 40s. to 50s., and certainly on the average the present rates of reversionary bonus are at least 10s. per £100 per annum in excess of the pre-War rates. Certainly as regards with-profit business there has been definite progress during recent years, but one may perhaps strike a warning note and suggest that bonuses are now approaching, if they have not already reached, their zenith.

NON-PROFIT POLICIES

The position in regard to non-profit policies is more complex. During the War period the whole brunt of the bad conditions fell on the holders of with-profit policies and no non-profit policy was adversely affected, but the terms and conditions of the pre-War and War period non-profit policies have not subsequently been improved as a result of the better conditions since experienced. There is, perhaps, one exception to this general statement. New and more generous scales of surrender values have been adopted by a number of offices in recent years, and I think it has been the practice to make such new scales applicable to existing policies. Apart from that, however, the practice is to revise the scales of non-profit premiums from time to time, so as to keep them in harmony with changing conditions, but not to make the revised rates applicable to existing policies. That, I think, is as it should be. Reductions only could be made effective against existing policies, and it would be grotesque to give the benefit of reductions without being in a position to increase rates should circumstances warrant it.

I think I should add that, in my opinion, rates of premium for non-profit policies are now so low as to render the adoption of increased scales on some future occasion by no means a highly improbable contingency. The following table shows the downward progress of non-profit rates. The rates are those of a single office, but it is an office which for the last 30 years has consistently kept its non-profit rates on a competitive basis, and the table therefore is representative of competitive rates:—

ANNUAL PREMIUM PER £100 NON-PROFIT WHOLE OF LIFE ASSURANCES

Date of Scale	Age at Entry 25	35	45
Before 1902	£1 17 0	£2 7 5	£3 6 0
1902 ..	1 13 11	2 4 4	3 2 9
1926 ..	1 11 1	2 1 8	2 18 10
1929 ..	1 9 8	1 19 1	2 15 1

ENDOWMENT ASSURANCES OF 25 YEARS

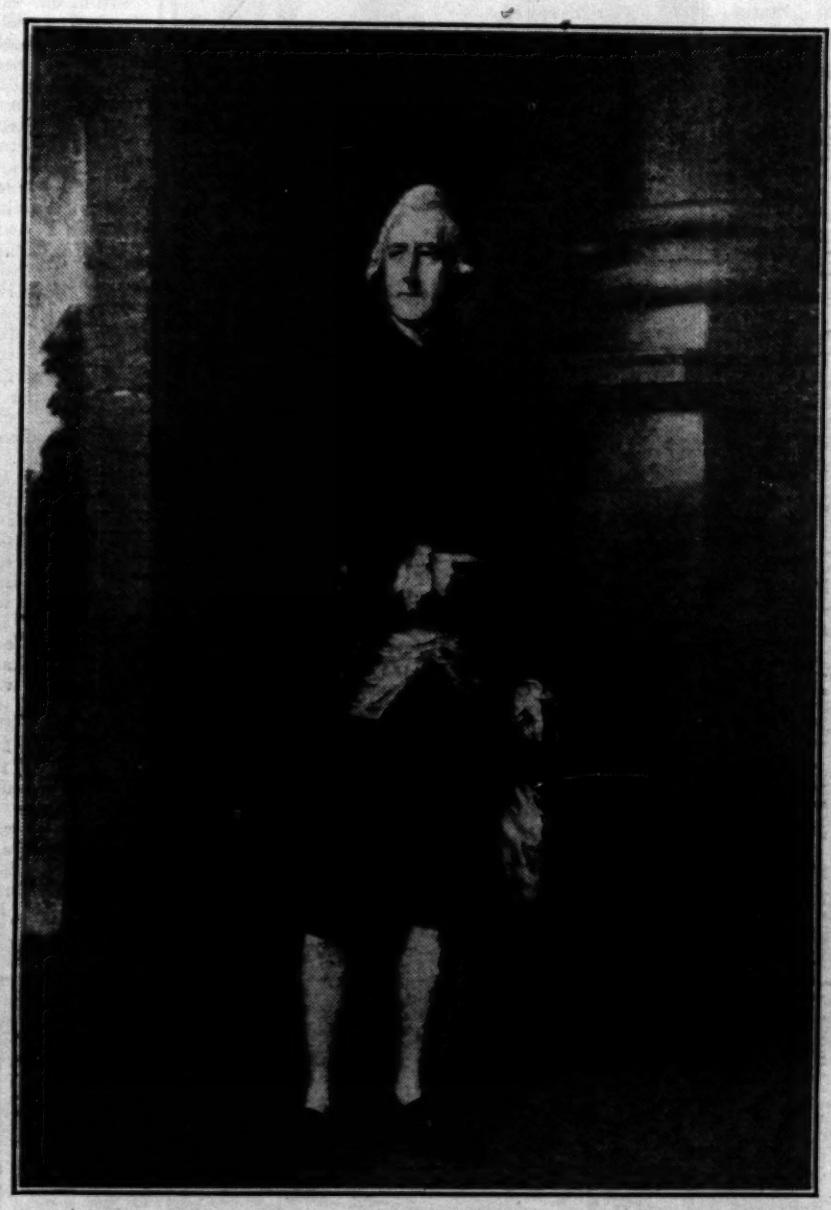
Before 1902	£3 7 3	£3 12 1	£4 2 10
1902 ..	3 5 5	3 10 1	4 2 4
1916 ..	3 4 2	3 7 10	3 16 11
1926 ..	3 3 1	3 6 9	3 15 8
1929 ..	3 1 2	3 3 8	3 9 9

As will be seen, during recent years, as increasing bonuses have enhanced the attractiveness of with-profit policies, the balance between the two classes has been maintained by progressive reductions in the non-profit premiums.

How current scales of non-profit premiums are calculated is something of a mystery. Taking 4 per cent. interest and the standard table of mortality—now currently used—the annual premium at age 35, without making any addition for expenses, for a whole of life policy is £1 17s. per £100 assured. Expenses, including commission, amount to about 13 per cent., so that on this basis the premium should be £2 2s. 6d., while the rate given in the table is £1 19s. 1d. per cent., reduced to £1 18s. 3d. per cent. for a policy of £1,000 or over. Clearly rates such as are now quoted cannot be based upon the standard tables now available, but must be based, more or less directly, upon the actual mortality recently experienced by the offices concerned.

The position, therefore, would appear to be that there has been very definite progress in recent years in the direction of reduced non-profit rates and that the rates now current are based on mortality much lighter than the standard tables at present available. It seems unlikely, therefore, that any further substantial reductions will result from the publication of more modern mortality tables, and it seems by no means impossible that, on some future occasion, increased scales may be regarded as necessary. Having suggested that bonuses are approaching their zenith, I may perhaps have the added temerity to suggest that non-profit rates are approaching their nadir.

Progress has not been restricted to the features dealt with, but as the length of this article is limited, I have dealt only with the more important aspects of the subject.



A LIFE ASSURANCE TREASURE.—A Painting by Gainsborough of Sir Charles Morgan, the president of the Equitable Life Assurance Society from 1773 till his death in 1806, and the grandfather of the first Lord Tredegar. The portrait was painted in 1783, the artist's fee being 100 guineas. It is now insured by the Society for £20,000.

THE CHOICE OF POLICIES

WHOLE OF LIFE OR ENDOWMENTS

(FROM A CORRESPONDENT)

Although life assurance was, as the term implies, devised to provide financial protection for survivors who were affected by the occurrence of death its beneficent uses have been greatly extended. The original idea was to protect those dependents who were prematurely deprived of their financial support. Life assurance was thus, from the outset, a financial standby for the family, and this splendid purpose still continues.

It has since been adapted to make financial provision for the later years of life, and contracts effected with this object represent, like ordinary whole-life assurances, an admirable form of thrift. Were provision for the later years the only consideration of a man the object would be achieved through a pure endowment, by which a sum would be payable only in the event of his surviving.

There may be cases in which pure endowments would be suitable—those of individuals who have only their old age to consider—but most people have to take into account the needs of others, and so the endowment assurance has been evolved. It represents a compromise between whole-life assurance and pure endowments. The person who chooses an endowment assurance contemplates surviving until the date when the policy matures and then being able to enjoy the results of his thrift. At the same time he realizes the possibility of premature death and decides to make some financial provision against that eventuality. An endowment assurance thus consists of two parts—assurance against the risk of death before the normal maturity, of the policy and the accumulation of contributions to provide, on that normal maturity, the sum agreed. It has a double purpose, and in the last 40 years since it was introduced this type of contract has become extremely popular.

THE QUESTION OF COST

Each type of life assurance has its special merits, and each represents thrift. The choice between them has to be made by every one contemplating the effecting of a policy, and the question is closely concerned with cost. Large numbers of persons hold that they can afford a certain sum for investment in assurance of one type or another, and very often this expenditure is restricted to a definite amount. Since the ages usually chosen for the maturing of endowment assurances fall short of the ages represented by the normal expectation of life the offices must be prepared, with endowment assurances, to pay the sums earlier than under whole-life policies. Consequently they cannot afford, for a given investment in premium, to pay the same sum as would be due under a whole-life assurance based on the normal expectation of life.

The differences between whole-life assurances and endowment assurances may be illustrated by examples. On the basis of representative terms the following table shows the amounts of assurance which could be secured at the ages shown under the with-profit plan in return for an annual premium of £30:—

Age next Birthday	Whole-life Assurance	Endowment Assurance maturing at age 60
	£	£
20	2,542	2,007
25	2,281	1,737
30	2,027	1,462
35	1,778	1,195
40	1,536	946
45	1,310	699
50	1,099	460

All these sums would be very much increased in the normal course of events by the allotment of bonuses, which may amount to as much as £2 per £100 for each year, or even more. It will be seen that the sums assured under the whole-life policies are much larger than those under the endowment assurances, and each individual who contemplates life assurance must decide whether he is justified in choosing the smaller sum assured and securing it in the event of his surviving until the normal date of maturity, in preference to the larger sum which would be payable under the whole-life policy whenever death occurred and would be available for his dependents.

POLICYHOLDERS' OPTION

One of the objections usually advanced against an ordinary whole-life policy is that the policyholder is required to pay the premiums throughout the whole of his life. This, however, is not necessarily the case. While it is true that the premiums are payable until death, and, unless the contract is altered to some other form the premiums would have to be so paid, it is also true that the policyholder always has the option to change the policy to an endowment assurance. This applies to almost every whole-life policy. Many offices have special schemes which contain definite conversion options. Further, if the proposer so desires, the premiums for a whole of life policy can be limited, from the outset, or later, to a definite number of years—an excellent form of contract.

It is undeniable that, as a rule, during the first 20 years of married life a wife and family are exposed to their greatest risk on account of the possibility of the premature death of the bread-winner, and that during this period for a given annual premium the whole-life assurance provides the fullest financial protection for dependents. When these special risks of early married life have passed away, however, the holder of a whole-life policy may feel justified in changing the assurance to an endowment payable at any age which he selects.

GROUP ASSURANCES AND PENSIONS

THEIR PLACE IN INDUSTRY

AID TO EFFICIENCY

(By W. A. Workman, F.I.A., Chairman of the Life Offices' Association)

Any practical attempt to deal in adequate fashion with that ever-present bogy, necessitous old age, is sure to appeal to the instincts and imagination of a right-minded community. It is not difficult to envisage the time when earning power will be diminished or disappear altogether and the worn-out worker may have to face a position that reduces the outlook for the later years of his life to the realms of nightmare.

When machinery is worn out or obsolete, the up-to-date and progressive manufacturer has only one remedy—scrapping. But when he is dealing with the most important part of his organization, the human machinery, what is he to do? The alternatives are to scrap ruthlessly in like fashion, which is contrary to all humanitarian principles and, consequently, a method seldom put into execution, or to carry on with a dead-weight on his business by keeping in so-called full employment men and women who, by reason of age or infirmity, are physically and mentally inefficient to perform their allotted task. Such a state of affairs is unsound morally and economically, and clearly it can only be remedied by a system whereby such persons may be superannuated at an appropriate age and provided with the wherewithal to spend the remainder of their lives in reasonable comfort.

A GROUP POLICY

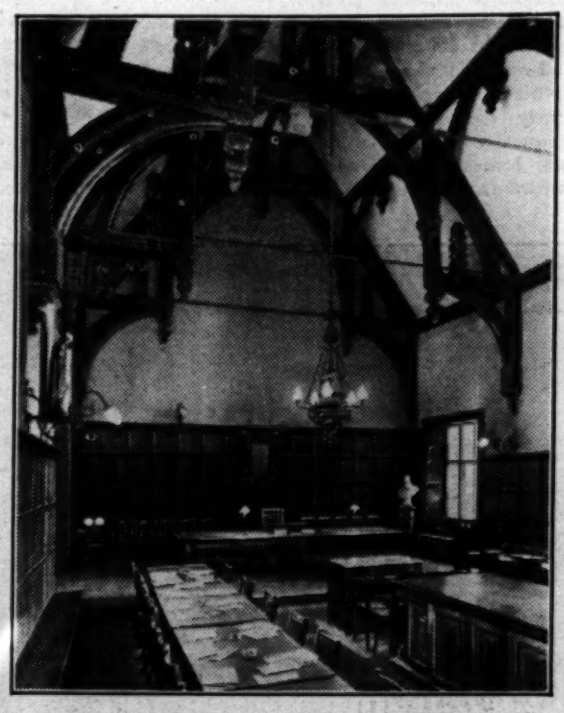
A group policy is a form of contract which embodies in one instrument—the policy—the benefits of life assurance or pension, or a combination of the two, to each individual member of a group of persons. The constitution of such a group may be of almost any variety. It may embrace a body of employees—the most common form—the members of a trade union, the customers of a store, or any other body of persons who can be dealt with collectively. For the conduct of the business on scientific and safe lines the group must be fairly homogeneous and there must be an absence of selection and some measure of "character" distribution of the group. That is why a scheme which grants life assurance cannot be offered to a body of employees without the safeguarding stipulation that a given percentage of these employees come within its scope.

The idea of assurance by groups is not new, although its introduction and development in this country are of comparatively recent date. In the United States the business has been actively developed by the assurance companies there for some years, and it has made great progress. The principle of group assurance was first adopted on a large scale in Great Britain with the passing in 1925 of the Widows', Orphans' and Old Age Contributory Pensions Act, a piece of social legislation that has had a far-reaching effect, both in the trend of public thought and in the application of public finance. Since then all employers of labour have had their attention directed through the working of this Act to the provision of (*a*) assurance on the death of an employee for the benefit of his dependents, and (*b*) a pension to which an "insured person," the employee, is entitled on attainment of the age of 65. The employer, by the actual operation of the Act, has become familiar with the idea that these benefits are incidental to the service which the employee renders, and the contributions are naturally, and with facility, deducted from wages. In spite of this additional burden placed on the costs of production, it is characteristic of the British employer that, after the initial wail against the imposition, he has proceeded to supplement the provision under the Act voluntarily, and largely at his own expense.

ASSURANCE OFFICES' SCHEMES

There is at the present time among successful manufacturing and trading concerns a definite—one might almost say an insistent—demand for pension and assurance schemes which shall apply both to the staff, who by reason of the level of their salaries do not come under the benefits provided by the Act, and to the workpeople so that the benefits, when coupled with those of the State contributory scheme, shall make a more adequate provision for their dependents and their own old age. It is fortunate, and a tribute to their foresight, that concurrently with the increasing demands for staff pension and assurance schemes there has been developed by some life assurance companies a very flexible method of meeting them in the shape of group insurance. Schemes under this heading can be formulated which can do all that an internal pension fund can do, and, in addition, possess that inestimable benefit of an assurance company's guarantee. The schemes are designed to give a minimum of clerical labour to the employer and his staff, and they are presented to the employees in a form simple to understand and comprehensively set forth in a booklet which, together with a certificate of membership, shows them their privileges under the contract.

After the reading of a paper on the subject of group life assurance before the Institute of Actuaries by Mr. P. H. McCormack in April, 1919, the discussion seemed to show that actuarial opinion was generally adverse to the principle. This may have been due to the novelty of the idea, with a corresponding lack of appreciation of the possibilities of its proper application, but I think there is no doubt that opinion was then influenced by the fear that group life assurance would act as a deterrent to forms of assurance of greater value, and by the knowledge that in the United States the experience had not been sufficient to take it altogether beyond the experimental stage. But during the past 10 years or so the British offices have been gaining their own experience, and numbers of large group life policies have been renewed from year to year with complete satisfaction to all concerned. They have not discouraged ordinary life assurance, but have, indeed, extended its benefit to many who, through advanced age or ill-health, would have been quite unable to gain protection individually.



THE OLD HALL of Staple Inn, the home of the Institute of Actuaries. It dates from 1581 and contains some contemporary glass.

The more recent development of group assurance in this country has no doubt been stimulated by the advent of American competition, and to that extent one must in all fairness acknowledge this contribution to our awakening. Combined with this has been the rapidly spreading knowledge among our business men and large employers of labour that in the acute international competition that has now to be faced efficiency in method and *personnel* is of the utmost importance. That means rationalization of industry, the scrapping of out-of-date plant and machinery, and the retention only of men and staff who are still in the productive years of their life. Above all, staff and management must have some unity of purpose and feel some community of interest. A body of contented and protected workers is the mainstay of any commercial concern.

A COMPREHENSIVE PLAN

It is not surprising, therefore, that a comprehensive scheme of group assurance, providing both a benefit at death or total disablement and a pension at retirement, kindles an interest among employers whenever it is put forward. The simplest scheme of group assurance for workpeople can provide the following benefits:—

£100 payable at death or total and permanent disablement while in service of the employer, and

£1 per annum pension (commencing at 65) for each year of service subsequent to the date of the scheme.

The employee may pay a contribution of 1s. a week by deduction from wages, and the balance of the cost is met by the employer. Usually the employer's share comes out at about another 1s. a week, but the exact sum would depend upon the age distribution of the group.

One of the most troublesome points in connexion with the establishment of a pension scheme has always been the provision of pension in respect of past service. Under a group scheme this is dealt with simply, yet adequately, by meeting the liability by means of a uniform annual payment by the employer over a term of years from 10 to 20, at the end of which the accrued liability is completely extinguished. Since the employer usually pays the cost of the whole of the past service pension, it is customary to allot only half the rate of pension for past service. Thus, if future service is to count for £1 for each year of service, employment in the years prior to the scheme would rank for 10s. for each year. If we take the actual case of an employee who at the date of the scheme is aged 30, with 10 years of past service, he will be entitled to £5 pension for that period and when he attains 65 he will receive a further pension of £35, making £40 in all. This makes a useful addition to the 10s. a week which, as an "insured person," he will receive under the State scheme.

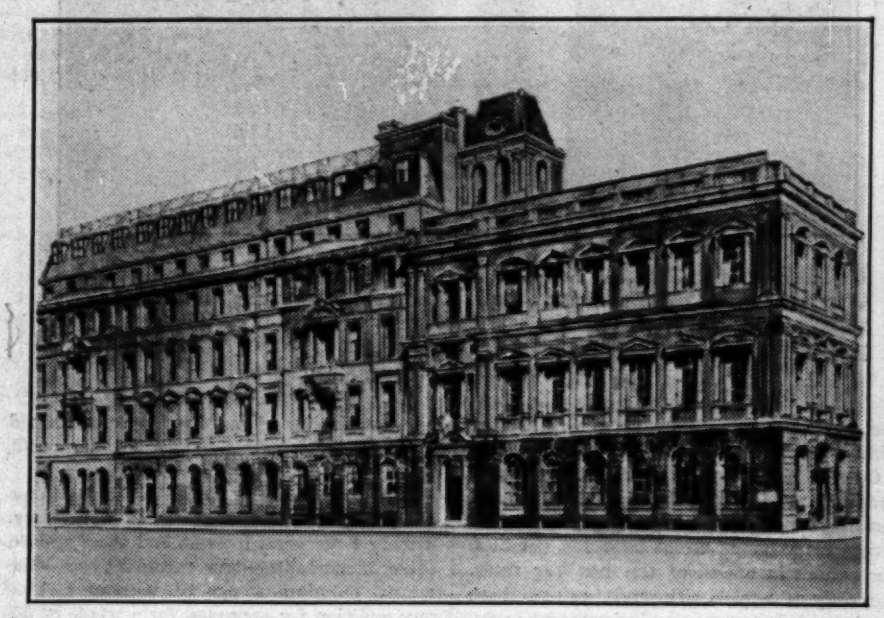
Should an employee die while he is a contributor under the scheme his representatives will receive the £100, together with a refund of his contributions with 3 per cent. compound interest, and should he die after he has entered upon his pension before he has received, say, five years' payments, the pension will be continued for the balance of the five years to his representatives. An employee who leaves before pension age would receive a refund of his contributions with 3 per cent. compound interest, and he would, without any evidence of good health being called for, have the right to effect a policy on his own life for £100 at the rate of premium appropriate to his attained age.

The above illustrates a scheme in its lowest terms. For a salaried staff both benefits and contributions are graded according to salary earned. The following table represents a typical scheme which might cost the employer from 5 to 7 per cent. of his total annual salaries in respect of future service:—

Salary Class	Pension per annum from age 65 for each year of service	Life assurance while in salary class	Employee's weekly contribution
Per annum	£	£	s. d.
Under £150 ..	2	100	1 0
„ £250 ..	4	200	2 6
„ £350 ..	6	300	5 0
„ £450 ..	8	400	8 0
„ £550 ..	10	500	10 0
Over £550 ..	12	600	12 0

Under this scheme an employee who entered at the age of 17 and retired at 65, after having spent eight years in each salary grade, would receive a pension of £336.

It will be seen that the scheme is perfectly flexible, and by suitably extending or contracting the salary classes and the employees' contributions the circumstances of any staff can be met. It is arousing much interest among large commercial and manufacturing companies and its adoption by some of the most important concerns, after careful consideration and investigation, is sufficient evidence of the merit of such a contract. They recognize that it is an instrument which not only discharges an obligation to their employees, but also acts as a potent aid to efficiency.



ATLAS DEVELOPMENTS.—A sketch of the headquarters of the Atlas Assurance Company in Cheapside as they will appear when the present extensions are completed. The old building of 100 years ago is on the right.

SUITABLE SCHEMES FOR WOMEN

CHILDREN'S DEFERRED ASSURANCES

(FROM A CORRESPONDENT)

The financial safeguarding of women and children is largely taken into account by men in the assurances they effect on their own lives by way of whole-life policies or endowment assurances, and various schemes have also been specially devised by assurance institutions for the sole benefit of women and children.

There is not, as a rule, the same need for women to effect assurances for the benefit of others, and therefore most of the schemes definitely prepared for women provide for the requirements of their later years. The need for these plans has been emphasized by the large number of women who are now engaged in business or the professions, and assurance institutions are able to offer a safe and suitable channel for investment.

ENDOWMENT POLICIES

The endowment assurance is appropriate in many cases, and while providing for the payment of a sum on maturity which may be invested in an annuity it also offers some assurance should they not survive until that date. As an example of the benefits that may be secured an annual premium of £10 a year beginning on the 21st birthday would provide an endowment assurance maturing at the age of 55 of £463. This assurance, which is based on the quotation of a representative office, would be on the non-profit plan. If a with-profit policy were chosen the sum assured at the outset would be smaller, but, by the addition of bonuses, it should exceed at the normal date of maturity the sum assured by the non-profit policy.

Closely related to these endowments are deferred annuities which take effect at the chosen age. As an example, a premium of £10 a year beginning at the age of 21 and continued until 55 would then provide an annuity of £42 a year.

Such contracts effected with a first-class office are an excellent means of investing savings. There is no risk of the loss of capital and no need for any worry about the course of Stock Exchange prices. The strength of the first-class British offices and their reputation for sound finance are quite sufficient guarantees that the contracts will be duly fulfilled. The sums assured by premiums beginning at any age would be in proportion and they would similarly be in proportion for larger premium payments.

ADVANTAGES OF EARLY ASSURANCES

Women, as well as men, are also provided for in the deferred assurances effected on the lives of children. Schemes offering a great variety of options are issued, the essence of which is that when the assurances take effect at the age of 21 or 25 sums are guaranteed for which the annual cost if the proposals had been deferred until then would be two or three times as much. Again, taking the terms of a representative office, the following examples indicate the amount of the assurances which would be provided on the attainment of age 21 for a premium of £10 a year beginning in the first year of a child's life:—

Type of Policy	Non-profit	With-profit
A Whole-life Assurance for	£1,529	£1,130
An Endowment Assurance payable at		
60	1,220	916
55	1,098	823
50	961	721

If the payment of the premium of £10 were discontinued at the age of 21 a paid-up whole-life non-profit assurance for £792 would be provided, or a cash payment could be taken of £258.

These examples are merely given as illustrations of the benefits of early assurance, and similar indications could be given of the corresponding results for assurances effected at other ages. By the effecting of such policies at a very early date the child who has healthy parents avoids the risk of being deprived of any assurance in the later years, owing to poor health or especially hazardous occupations. If the policies were discontinued at the age of 21 or 25 the capital sums which would be payable might prove exceedingly useful in entering a profession, but in many instances the advantage of being able to continue the assurance at such a low rate of premium would be welcome. When a policy participating in profits was chosen the value of the contract would steadily increase. Provision is usually made for the return of all the premiums in the event of the death of the child before the assurance took effect.

EDUCATIONAL FEES

Life assurance is also now being used for meeting educational fees. The cost of providing for the education of children during the most expensive years may be spread over a series. A plan which is found very suitable is the effecting of a series of endowment assurances on the life of a parent maturing when the child is 14, 15, 16, and 17, or at any other ages. With these assurances the cost may be reduced by the rebate of income-tax on the premiums, and the sums are payable whether the parent survives or not.

Assurances have also been devised to provide for the cost of school fees, on the basis of premiums for each term. The sums assured and the premiums are on a reducing scale as the terms pass. These assurances are, however, in a different class from endowment assurances, since they only cover the risk of the death of the parent and do not provide in any event, as with endowment assurances, a sum available for the payment of the fees.

LIFE ASSURANCE IN THE BUDGET

INCOME-TAX REBATES

POLICIES FOR HEAVIER DEATH DUTIES

(FROM OUR INSURANCE CORRESPONDENT)

The Budget speech last month was noteworthy for its proposals affecting life assurance, directly and indirectly, and for its omissions. Life assurance is affected in three ways, and including annuity business, which is transacted by life assurance offices, two proposals were ignored for which there is a strong case.

First there was the decision to deal with a certain class of single premium life assurances, *i.e.*, those on which a large proportion of the premium is advanced by the life offices. There is judicial authority for the principle, generally recognized, that the subject is entitled to avoid taxation by legitimate means. Admittedly, single premium policies have been used during the last two or three years for this purpose. The interest on the loans advanced by the offices has been deducted from the income of persons subject to surtax and the single premium policies could be shown to prove attractive investments.

While oppressive taxation has been responsible for these transactions, it is open for Parliament to decide that particular means of limiting taxation shall not be permitted, and that is what Parliament has been asked to do this year. The Inland Revenue has not entirely lost by the business, since when the single premium policies have been issued for a considerable period there has been a substantial element of life assurance. If the assured dies before the normal maturity of the policies the State gains not only by death duties on a larger estate, but also, it may be, by duties at a higher rate. There were also certain advantages to the general body of assured through the effect the assurances had of spreading the working costs over a larger volume of business.

The second Budget proposal directly affecting life assurance was the abandonment of the principle that the assured is entitled, in respect of his life assurance premiums, to a rebate of income-tax at half the standard rate. This proposal affects an enormous number of assured. Income-tax was abolished in this country in 1815 and it was not reintroduced until 1842. By the Income Tax Act of 1853 life assurance premiums were entirely exempt from taxation and they continued to be wholly exempt until 1916, subject, by the Act of 1853, to a limitation of rebate on premiums not exceeding one-sixth of the total income.

LIMITATION OF REBATE

This exemption of life assurance premiums from taxation for so long a period was a recognition of the value to the nation of life assurance as a means of thrift, and it may be said to have been an early attempt to differentiate between the savings of those who worked for their living and the incomes of those who possessed private means. By the Finance Act of 1916 the rate of relief was limited to 3s. in the pound in respect of policies issued after June 22 of that year. The income-tax was, by the same Finance Act, raised from 3s. to 5s. in the pound and two years later it became 6s. By the Finance Act of 1920, policies effected after June 22, 1916, were entitled only to a maximum rebate at half the standard rate, *i.e.*, still a rebate of 3s. in the pound. This principle of allowing rebate at half the standard rate has remained until the present year. As the Chancellor of the Exchequer proposed an increase in the standard rate of income-tax of 6d. to 4s. 6d. the rebate on life assurance premiums on policies effected since June, 1916, would now normally have become 2s. 3d. The Budget resolutions, however, limited the rebate to 2s. in the pound. The rates on policies effected on or before June 22, 1916, which carried the right, according to the statutory income of the taxpayer, of rebates amounting to one-half, three-quarters, and the whole of the standard rates are also to be limited to 2s., 3s. and 4s. in the pound.

Few meetings of purely life offices have been held since the Budget speech. It is noteworthy that at one of these—the Scottish Equitable Life Assurance Society, whose manager is Mr. Charles Guthrie, the president of the Faculty of Actuaries—comment was made on these proposals. The Earl of Stair, the president of the society, after describing the departure from the principle which had held good for many years, expressed the view that the life assurance offices would take an opportunity of impressing on the Chancellor the importance they attached to the income-tax rebate as a valuable incentive to thrift; and they have done so. The hope was expressed that the Chancellor might see his way to forgo the very small additional revenue and maintain the present arrangements, which worked well and afforded relief to the very section of the community that provided the bulk of the Inland Revenue.

ESTATE DUTIES INCREASED

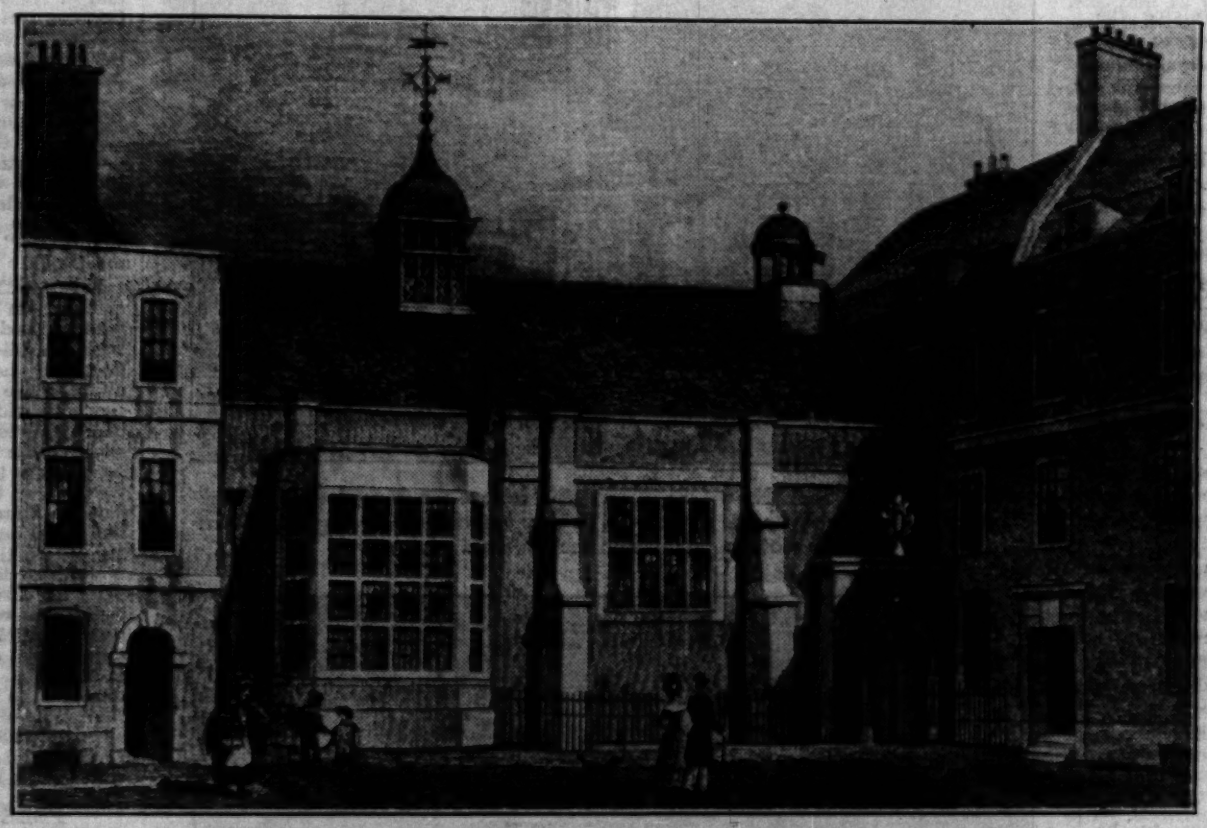
The third way in which the Budget affects life assurance is by the increase in the estate duties on the larger estates—*i.e.*, those which exceed £120,000. The increases are very considerable, and they emphasize the value of providing for death duties out of income through life policies. The use of life assurance for this object has been warmly approved by the predecessors of the present Chancellor. Not only does provision by life assurance avoid the breaking up of estates and the forced sale of securities, but arrangements can be made for the payment of the sums assured when the death is proved and before the grant of probate.

Life assurance is a far more effective means of making provision for estate duties than an ordinary sinking fund, for even if the owner of the property had the strength of mind to set aside annually sums in order to provide for the duty and to reinvest the interest, he could have no guarantee that he would live long enough for the annual sums to accumulate, with interest, to the amount needed. When large policies are issued for this purpose the cost to the office is usually less than that of providing the same amount of assurance spread over a large number of policies, and so the offices are able to offer specially favourable terms. The value of life assurance as a means of providing for death duties has long been recognized, and in his criticisms in Parliament of the Budget proposals Mr. Churchill referred to the raising of the estate duty in terms of the cost of assurance, saying that it represented about 1s. 3d. in the pound, which had to be added to the 6d. increase in the income-tax rate and 1s. 6d. in the surtax.

A SUGGESTED CONCESSION

At present one criticism only can be made of the assurance plan—that it increases the estate on which duty has to be paid, and so might also raise the rate of the duty and in some instances the whole of the assurance might be swallowed up by the duties. The suggestion was, therefore, made at the meeting of a leading company early in the year, and has since been endorsed by the chairman of other offices, that life assurances earmarked for the purpose of the payment of death duties should not be added to the estates, so far as they were employed for that particular purpose. An immense encouragement would then be given to make such provision, and the Treasury would gain from the celerity with which estates could be wound up, and a tax on capital would be converted into a charge on income.

The Budget has not provided this incentive to saving, and it has not given any relief to the large class of individuals who, by means of annuities, are living partly on capital. It would be fair to exempt from taxation that portion of an annuity which represents a return of capital, and so remove the anomaly that a deserving class of persons is now subject to a levy on capital.



STAPLE INN.—An early engraving of the exterior of the old hall of Staple Inn, Holborn, the headquarters of the Institute of Actuaries. The Inn seems to have been a hostel of the woolstaplers in the fourteenth century.

ADVANTAGES OF ANNUITIES

INCREASED INCOME FROM SAVINGS

ABSOLUTE SECURITY

(FROM A CORRESPONDENT)

Annuities are granted by most life offices, and may, in a sense, be regarded as the converse of life assurance policies. With each type of business the two main constituent factors are the rates of interest and mortality; but whereas in an ordinary whole life policy a series of payments are made by the assured to secure a capital sum at death, the annuity contract involves the sinking by the purchaser of a capital sum to secure a series of payments throughout life. Each instalment of an annuity represents partly interest on the capital invested and partly a return of a portion of this capital, calculated mathematically with due regard to the risk of mortality. It is this feature which enables a larger income to be obtained than could otherwise be secured with safety.

Clearly, unless there were a gradual return of capital, the offices could not offer yields better than those given by the securities in which the funds entrusted to them are invested. If it is essential that capital should remain intact, or be kept as nearly intact as care can provide, the owners must be content with the ordinary yield from investments, and when security of capital is vital the yield is not high.

There are, however, large numbers of individuals who are possessed of a certain amount of capital which they feel entitled to put to the best advantage during their lifetime. Many of these persons are those who have saved during their working years and do not feel obliged to leave their savings for others. A more urgent need may seem to them to be to try to ensure their independence during their later years, so that they may not be a burden on their relations.

RELIEF FROM ANXIETY

It is to individuals in these circumstances that annuities make a strong appeal. These are not, as a rule, suitable for young people because the return of capital would normally have to be spread over so long a period that the additional income they would receive might not seem a sufficient justification for their parting with their capital. After the age of 50 the increase in the income that may be obtained from the purchase of annuities begins to become sufficiently large to justify this form of investment. Each year that the purchase of an annuity is deferred the terms improve, and in the sixties and onwards the rates for men and women become very much better than any yield that could possibly be obtained from an ordinary investment offering a guarantee of security. There can be no doubt of the absolute security of an annuity effected with a first-class British life assurance office. As the result of the observance of sound financial principles, the strength of these institutions is immense, and annuities can be bought from first-class mutual societies, or from great companies with big reserves and in the background, as a rule, a large amount of uncalled capital, with the conviction that the annuities will always be forthcoming.

It is this sense of security which accounts, in part, for the undoubted popularity of annuities. People are relieved of all uneasiness associated with financial developments and the price movements of securities. In the past the sale of annuities has not always proved profitable to assurance companies, but they have transferred considerable funds to the support of their annuity business.

IMMEDIATE ANNUITIES

In the following table are shown examples of the annuity rates offered by a leading British office which makes a feature of annuity business. These examples are given as illustrations of the annuities which may be expected from the investment, at the ages named, of £100, and it will be noticed that the rates for men are rather larger than those for women owing to the greater longevity of the latter:—

Age last birthday	Annuity for men	Annuity for women
	£ s. d.	£ s. d.
50	7 10 10	6 18 0
55	8 8 1	7 10 1
60	9 11 3	8 7 2
65	11 3 2	9 12 1
70	13 8 11	11 9 3
75	16 8 1	14 6 2

These rates are for immediate annuities. Deferred annuities are issued, and are often particularly suitable as a means of saving for women in business, who generally have not the same need as men to effect life assurances. The same object may be secured by the effecting of endowment assurances to mature at a definite age and the investment of the proceeds in the purchase of an annuity. Joint annuities are also granted, in accordance with which annual payments are made during the joint lifetime of two persons, and also during the lifetime of the survivor.

Annuitants are a favoured class, since their mortality is much lighter than that of the general population, and while it would be inappropriate to attempt to dogmatize on all the reasons, relief from financial anxiety has been held to be an important contributory cause. Moreover, annuitants as a class have shared in the general improvement in mortality which has been experienced progressively by all sections of the community. This improvement in the rates of mortality has meant that the net cost of life assurance has been cheapened, but, as a corollary, it has also meant that the cost of annuities has been raised. In the case of assured lives a lightening of mortality means a postponement of the average age of death and an extension of the average period during which premiums are paid, whereas the longer annuitants live the longer will the assurance offices be called upon to pay the instalments.

The subject of the mortality of annuitants was examined fully a few years ago under the auspices of the Institute and the Faculty of Actuaries, and at about the same time a similar investigation was carried out by the Government Actuary and the Actuary to the National Debt Commissioners into the mortality experience of the Government life annuitants. In both cases a progressive improvement in mortality over a period of 20 years—from 1900 to 1920—was revealed, and was more marked in the case of women than of men. Subsequent inquiries indicate that this progressive improvement is being maintained—at least in the case of women.

After the reports of the investigations were issued the Government rates, and also those of many British offices, were amended. The annuity rates of the Post Office are varied in accordance with changes in current rates of interest as reflected by the price of Consols, and some of the British offices also vary their terms from time to time for the same reason.

EXAMPLES OF ANNUITIES

The following are examples of the cost of annuities of £10 a year at representative ages as quoted by a leading office:—

Age last birthday	Cost of annuity for men	Cost of annuity for women
	£ s. d.	£ s. d.
50	132 12 0	144 18 7
55	118 19 10	133 5 3
60	104 11 7	119 12 10
65	89 12 5	104 2 6
70	74 7 6	87 4 10
75	59 3 2	69 17 10

Annuities are sometimes purchased for the employees of firms or individuals who have been long in service. Through the investment of a definite sum an income for the beneficiary throughout life is assured. Just as additional premiums for life assurance are sometimes quoted for proposers whose health is not so good as the normal, so, conversely, some offices are ready to increase the rates of annuities for those whose health is shown to be below the normal. In these instances a medical examination is needed. In other cases the buying of an annuity is of the simplest kind, and the purchase consideration may be forwarded with the proposal.

Annuities are subject to income-tax, but by arrangement with the Inland Revenue they may be paid by the offices either without deduction of tax or with tax deducted at the reduced rate of 2s. in the pound to beneficiaries whose income entitles them to that measure of relief.

INDUSTRIAL LIFE ASSURANCE

SOME REMARKABLE FIGURES

SERVICE TO THE NATION

(By J. Murray Laing, F.I.A., F.F.A.)

The history and development of industrial assurance business in this country, have been among the romances of commercial enterprise. Starting from very small beginnings it has now reached vast dimensions, as the latest available figures prove. The dread of a pauper burial and the very worthy desire to show due respect to the dead were the motives underlying the provision made by early Friendly Societies for the payment of small sums on the death of members and their wives and children. It was not, however, until the introduction of the collecting system under which collectors called at the homes of the people week by week to receive their contributions or premiums that much progress was made.

75,000,000 POLICIES

The latest combined figures available relate to the year 1928, and show that the policies in force at the end of that year numbered nearly 75,000,000, involving the payment of premiums amounting to over £50,000,000 per annum, and assuring sums payable at death, or on the survivance of stated periods, of over £1,100,000,000 backed by reserve funds of over £230,000,000. Not only are these figures colossal in themselves, but when comparison is made with those of only a few years ago it is seen that the business is still expanding at a remarkably rapid pace. For instance, if we take the figures available when the previous Insurance Number of *The Times* was published in 1926, we find that the number of policies in force has increased during the four intervening years by over 7,000,000; the annual premiums paid by over £8,000,000, and the funds by £67,000,000.

Had the period referred to been one of great trade prosperity for the country as a whole these figures would be very creditable, but when it is borne in mind that they have been years of trade depression involving much unemployment among the very classes from which the industrial offices obtain their business, the results are truly remarkable. If the figures for the year 1929 were available for all the offices, it might be said that they would show that the premiums collected last year under industrial policies in this country amounted to £52,000,000, *i.e.*, £1,000,000 per week. What this means in human effort is almost too much for the reader to comprehend, because it has to be remembered that the average weekly premium is only 3d., and practically every penny of the 240,000,000 pence collected each week is obtained by the personal visit of the collectors at the homes of the policyholders.

REDUCTION IN EXPENSES

Criticisms have been levelled at the business on the ground of its expensive nature, but when regard is had to the service rendered it must be admitted that the rate of expense is by no means excessive, and a pleasing feature is the manner in which the offices, by improved methods of organization and the introduction of labour-saving devices of every kind at their head offices, have succeeded in reducing the costs in recent years. For instance, the percentage of premiums absorbed in expenses in the year 1918 was 41.3 as compared with 34.1 only for the year 1928, and the process of reduction is still going on.

A perusal of the latest summaries issued by the Industrial Assurance Commissioner shows that during the four years above referred to the amount paid in claims under industrial policies on death, maturity, or surrender reached £83,000,000. The sums added to the reserve funds for the security of policyholders in the same period amounted to £67,000,000, so that there was paid to or reserved for the policyholders a sum of £150,000,000, as against the sum of £189,000,000 collected in premiums during the same period; or, in other words, there was applied for the benefit of policyholders practically 80 per cent. of the premiums received, which, it must be admitted, is a very good showing. Indeed, such results are only possible because of the care exercised in the investment of the funds in high-class securities, involving the minimum risk to the capital itself.

Much might be written if space permitted of the value to the nation of this aspect of the business, since the investment of the huge sums controlled by the industrial offices in Government securities and in the development of trade and industry in this country is a factor of truly national importance.

The success which has attended the industrial offices is in striking contrast to the failure of the Post Office scheme of life assurance, which, after a chequered career of 64 years, had to be closed down a year ago. The promoters of that scheme had high hopes of its success, since they had at their disposal an existing organization extending to every part of the country by means of which they looked forward to transacting a large volume of business. In spite of the facilities afforded by means of stamps affixed to cards, and by the transfer of premium payments from the Post Office Savings Bank to the Life Assurance Department, the scheme failed in its object. During its last year the number of policies issued was only 322, and to do this small volume of business it was necessary to have machinery set up in every post office throughout the country in case an inquiry should be received. The number of policies in force under the Post Office scheme when it was closed was only 9,956, as compared with over 75,000,000 in force in the industrial assurance companies and collecting friendly societies.

BENEFITS INCREASED

The greatest credit is due to the managements of the well-known industrial offices for the policy they have pursued in passing on to their customers from time to time the larger benefits made possible by economy in management by improvement in mortality, and by increasing rates of interest. The effect of these improvements can be shown by a comparison of the benefits given per one penny premium to-day with those of former years. Taking for illustration the figures of one of the leading offices, we find that in 1920 the sum assured in return for a weekly premium of one penny at age 11 was £10 5s. at death, as compared with £14 12s. offered to-day.

Most of the leading offices go even farther and allot to the policyholders a share in the profits of the company, although most of the policies were issued without the right to such participation. Indeed, the offices adopting this practice control about 95 per cent. of the total industrial assurance funds. This is only another illustration of the liberal methods of the managements responsible for these great institutions, and provides the key to the wonderful success which has attended their efforts.

Even the foregoing recital does not exhaust the work done by the great industrial assurance offices. Beginning with the provision of benefits by weekly premiums, a later development was the introduction of assurances by premiums payable yearly, half-yearly, or quarterly. The result is that the amount of ordinary life assurance business transacted by the industrial offices in this country has now attained very large proportions. The latest Board of Trade returns show that the total new ordinary sums assured completed in the year 1927 by all the British ordinary life offices in this country amounted to £134,000,000, of which no less than £48,000,000 was completed by the ordinary branches of industrial assurance companies. Even this figure does not take into account the very considerable business of this character transacted by collecting friendly societies, whose returns are not made to the Board of Trade.

There seems no limit to the development of these fine institutions in this country, and to the beneficent work they are performing, not only for their policyholders, but also for the nation.

THE PEARL ASSURANCE OFFICES.—A sketch of the front elevation of the Pearl Assurance headquarters in Holborn as they will eventually appear. Work is now in progress on the left-hand wing.

FURNIVAL'S INN.—An old print of Furnival's Inn, Holborn, where Charles Dickens at one time lodged. The Prudential Assurance Company's offices now occupy the site and Dickens's association with the Inn is commemorated by a tablet and bust in the courtyard.

IMPROVED BENEFITS

PROFIT SHARING FOR POLICYHOLDERS

(By Frank Percy Symmons, F.I.A.)

Rapid expansion in industrial life assurance has been accompanied by important and continual improvement in the methods of conducting the business. All serious investigators have agreed that the business of industrial life assurance can only be successfully carried on by means of agents, who not only obtain the proposals and deliver the policies, but also collect the premiums at the homes of the people at weekly or monthly intervals. The agent also, when a claim occurs, advises and assists in the completion of the necessary forms and pays the amount due. At the present time about 70,000 agents, mostly on whole-time, are engaged in the business. They serve the whole of the industrial population not only in the towns, but in the most remote villages. It was a costly matter for the companies and societies to establish and organize the vast system of collection and service involved in an efficient agency system. On this account the premiums charged for industrial assurance by weekly payments are larger than in the case of what is known as ordinary assurance, where premiums are paid to the office annually, half-yearly, and quarterly.

It was recognized that a system by which agents were paid on a commission basis, and also allowed to canvass for business practically where they chose, not only resulted in overlapping of activities and waste of effort, but made any great reduction in cost almost impracticable. Consequently it became evident that the only hope of considerable reduction in working cost lay in the direction of radical alteration of the agency system.

THE AGENCY "BLOCK" SYSTEM

In 1913 the Prudential began to reorganize its agency staff on what is known as the "block system"—that is, concentrating all the business in a given area or "block" in the hands of a single agent paid, not by commission, but by salary. This method, by itself, resulted in a considerable saving in expense. It further paved the way for the adoption of many other improvements, the most notable being the utilization of mechanical methods of accounting for the purpose of dealing with the thousands of weekly and monthly items in connexion with some 25,000,000 of policies. These methods in less than 10 years have been successful in reducing the expenses from 40 per cent. of the premiums to 25 per cent. or less, and this reduction is still going on.

The growth of the business and the reduction in cost have resulted in large and growing surpluses. The policy of the best managed companies has always been to return to the policyholders some part of the surplus in the form of improved policy conditions, rights to free policy and surrender values not given by their policies, and other increased benefits. Conditions vary in each office and the extent and nature of the improvements in benefits differ as a consequence. The actual cash value of the benefits given represents millions of pounds sterling. The earliest steps in profit-sharing were in the direction of modification of the policy conditions in favour of the policyholder. These were followed, as surpluses grew, by the reduction of rates of premium for new assurances, and in many instances the reduced rates were applied to existing policies.

INTRODUCTION OF BONUSES

The outstanding feature, however, has been the voluntary action of the shareholders in many of the proprietary companies in limiting the amount of profit taken from the business. As a result, policies originally non-profit have become with-profit contracts. As long ago as 1907 the Prudential introduced a profit-sharing scheme under which a large proportion of the annual surpluses was given to industrial branch policyholders in the form of bonuses. The surpluses available were allocated as bonuses on the policies which became claims during the year following the declaration. This form of distribution is what is known as a "mortuary" bonus. The amount of bonus was a percentage addition to the sums assured under the policies. The actual percentages increased with the duration of the assurance at the time of claim. Bonuses varied from 2½ per cent. of the sum assured, after five years, to 60 per cent. of the sum assured at the longer durations. As a result of War experience an important modification of the method was introduced. Although annual valuations were made, instead of the bonus being guaranteed only for one year following the valuation the period of guarantee was progressively increased after successive valuations from two to 15 years. It will thus be seen that the "mortuary" bonus is approximating to a reversionary bonus.

From 1923 a bonus on new policies was declared on the simple reversionary bonus plan adopted by a number of ordinary offices. This was followed in 1924 by a further modification of the profit-sharing scheme by which, as successive increases in dividends were paid, the proportion of surplus distributed as dividends decreased. At the present time the shareholders take only 5 per cent. of further increases in the annual amounts of profit distributed, so that an increase in the dividend of 6d. a share results in an increase of nearly half a million sterling in the amount allocated to policyholders. As a result the reversionary bonuses declared have increased from £1 5s. per £100 assured to £1 14s. per £100. Also, the earliest reversionary bonuses did not vest until after 15 years, but at the present time all new and existing declarations vest immediately. A sum of £19,681,723 has been allocated to policyholders since the start of the profit-sharing scheme. The amount allocated after the 1929 valuation was £3,316,062. In 1929 the actual amount of cash paid in bonuses on claims was £816,324.

FREE POLICIES GRANTED

The development of the practice of granting free policies and the conditions under which they are granted call for special notice. In the early days of the business, if the small weekly premium under a policy was not paid the policy lapsed and the benefits of the assurance were lost, although policies could be revived by the payment of the arrears of premium provided the life assured was in satisfactory health. In the case of the largest office, however, it was decided as early as 1878 to grant free paid-up policies for a reduced amount under all policies on which not less than 10 years' premiums had been paid and the life assured had attained the age of 21. This was followed in 1882 by granting free policies after five years instead of 10 years, and later the age limit of 21 was reduced to 15. In 1899 all policies on which premiums had been paid for 25 years, and the life assured had attained the age of 75, were relieved of further payment of premiums, the policies remaining in benefit for the full sums assured. In 1926 free policies were granted after three years, provided the age of 10 had been attained, and under endowment assurances irrespective of the age. In 1929 free policies were granted after one year, and the amount of the free policy was calculated on what is known as the proportional paid up policy plan.

These free policies were granted in all cases on the application of the policyholder. Cases occurred in practice when on a claim arising it was found that a free policy could have been granted had application been made for it. In such cases *ex gratia* payments were made of the amounts for which free policies could have been obtained had the necessary conditions been complied with. It may not be too optimistic to prophesy that the time is not far distant when the right to free policies will be given automatically without application by the policyholder.

The increase in the average premium under industrial assurance policies and the growth of endowment assurance made the grant of a cash surrender value instead of a free policy more suitable in certain circumstances. This alternative was recognized by the offices, and under suitable conditions cash surrender values have been given for some years past in lieu of free policies.

Industrial assurance has been criticized from the point of view of the treatment given to the holders of lapsed policies. Consideration of the above free policy arrangements shows how ill-founded this criticism has been.

THE INSTITUTE OF ACTUARIES

ITS ACTIVITIES AND GROWTH

NEW INVESTMENT INDEX

(By A. Levine, M.A., President of the Institute)

The objects of the Institute of Actuaries, as defined in its Charter, may be briefly summarized as follows:—

(1) The education and the elevation of the status of its members.

(2) The advancement of actuarial science and the improvement of actuarial methods.

(3) The study of monetary questions involving probabilities and/or the rate of interest.

It may be claimed that from its foundation the men who have controlled the affairs of the Institute have striven continuously to promote these objects.

The education of its members is a subject which is always before the Council of the Institute. The examination syllabus has been most carefully prepared and a panel of tutors has been arranged so that the students of the Institute may obtain tuition in all the subjects of the examinations. This syllabus is under constant review both by the Council and by the Board of Examiners, so that account may be taken of any developments which may occur in actuarial science and the necessary tuition provided in any new subject that may appear to require study. Moreover, the standard of examination has always been very high. Under various Acts of Parliament certain statutory duties are imposed on Fellows of the Institute (or of the Faculty of Actuaries in Scotland), and the Council of the Institute have been most anxious that its Fellows should be fully qualified to undertake these duties. The Council have also had under consideration from time to time questions of professional conduct and practice and every care is taken to advise junior Fellows on these questions with a view to maintaining the reputation and honour of the Institute.

ACTUARIAL SCIENCE

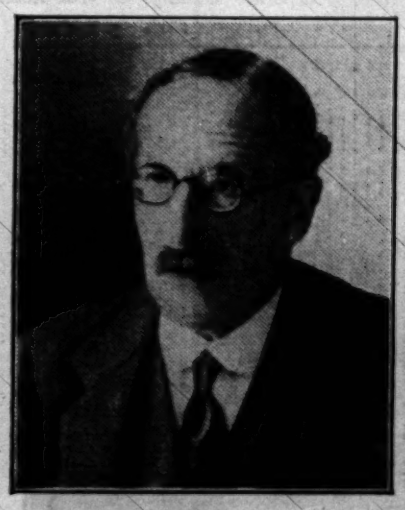
On the scientific side of its work it is a matter for legitimate pride that the Institute has always been the acknowledged leader of the world in actuarial science. The text-books prepared by the Institute, setting out the basic principles of actuarial science, have been translated into several foreign languages and accepted as authoritative. The notation devised by the early leaders of the Institute has been universally adopted and in other respects also Staple Inn is the recognized headquarters of the profession.

With a view to the encouragement of actuarial research, special prizes are offered by the Institute, sessional meetings are held regularly for the discussion of papers and courses of lectures by acknowledged experts are arranged from time to time. In addition, the Institute and the Faculty jointly make arrangements for the periodical investigation of the mortality among annuitants and assured lives and the preparation of the necessary monetary tables based on the results of these investigations. A joint committee of the Institute and the Faculty is now engaged on a continuous investigation into the mortality of assured lives. One of the most important questions which this joint committee will have to investigate is that of the effects of medical selection. In previous experiences it has been thought desirable to trace these for a period of not less than five years, but, as the result of certain important experiments in connexion with the annuity experience and of some recent papers submitted for discussion at the Institute, it is hoped that it may be found sufficient for all practical purposes to assume that medical selection may be ignored after the policy has been in force for one year only. The results of the investigation into the mortality of annuitants (1921-1925), which were published in June, 1928, also seemed to suggest that there might be some correlation between the mortality curve and the calendar year of entry. It will be interesting to see whether any similar feature is disclosed by the investigation on which the two bodies are now engaged.

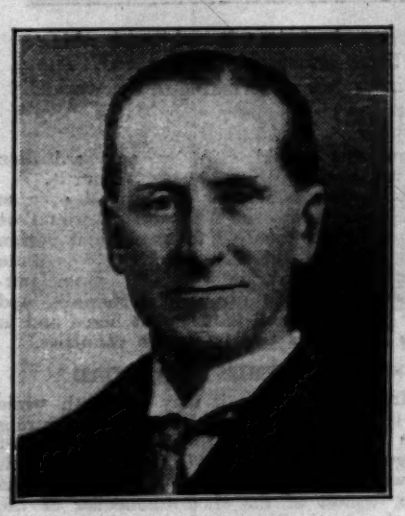
MONETARY QUESTIONS

With regard to the Institute's concern in monetary questions, it may perhaps be helpful to consider the activities of its members. An analysis of the occupations of the Fellows of the Institute in this country in the year 1929 shows that 219 were employed by insurance companies and kindred institutions, 41 were in Government service, three in municipal service, and 16 were engaged for the whole of their time in consulting practice. It will be seen that the great majority were in the service of insurance companies and kindred institutions. Now, the actuary of an insurance company is concerned with monetary questions in two ways. On the one hand he has to make the technical valuations of the liabilities under the contracts, with a view to the distribution of surplus, &c., and, on the other hand, he has to deal with the investment of the funds which must be accumulated in order to meet these liabilities as they emerge. Naturally, such technical matters as the methods of valuation and distribution of surplus, &c., have always formed one of the principal sections of the Institute's syllabus of examinations and no further mention need be made of this subject. With regard to the investment of reserve funds, the Institute has always attached considerable importance to this question and has encouraged papers and discussions on investment work. Among other papers submitted in recent years may be mentioned one on the relation of the course of wholesale prices of commodities to the market values of various classes of securities and another on the place of Ordinary stocks and shares (as distinct from securities bearing fixed rates of interest) in the investment of life assurance funds.

In this connexion it may be of interest to give an account of the proposed Actuaries' Investment Index. For some time past it has been felt that it was desirable to have more comprehensive and authoritative statistics relating to the movements in prices and yields of the different classes of marketable securities which are more particularly held by such corporate investors as insurance companies and trust companies.



Mr. A. Levine, president of the Institute of Actuaries.



Mr. H. M. Trouncer, president-elect of the Institute of Actuaries.

ACTUARIES' INVESTMENT INDEX

None of the existing investment indexes appears to be adequate for the particular needs of insurance companies, and it was therefore decided by the Institute of Actuaries and by the Faculty of Actuaries in Scotland to appoint a joint committee to investigate the whole question. As a result of that committee's report it has been decided to proceed with the compilation of the Actuaries' Investment Index, and it is hoped that this index will help to secure the following objects:—

(1) To present a continuous historical record of movements in prices and yields both of fixed interest securities and of Ordinary shares in different industries and groups of industries.

(2) To facilitate the study of changes in the business cycle and so to aid forecasting of the future trend.

(3) To trace the progress of particular industries, as reflected in security prices and in the comparison of one industry with another and with the whole.

(4) To enable comparison to be made between actual investment holdings and the index over a period of time.

It is proposed to compile and circulate to subscribers to the service an index of price and average yield for some 35 groups comprising in the aggregate about 350 securities. The figures relating to Ordinary stocks and shares will be issued at weekly intervals and those relating to fixed interest securities, Government and Corporation loans, Debentures, and Preference stocks at the end of each month. The weekly service will include indexes in respect of the Ordinary stock of banks, insurance companies, investment trust companies and industrial companies. The latter will be divided into productive, distributive and miscellaneous, each of these groups being further subdivided according to the class of material manufactured or service rendered. For example, for the distributive group, separate indexes will be calculated in respect of electric supplies, home railways, shipping, stores and catering and telegraphs.

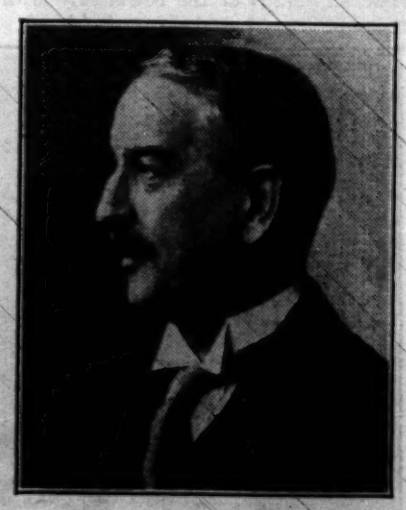
In order to avoid any risk of bias which might inadvertently arise through personal selection, it has been decided to include in the list of individual securities comprised in the particular index the securities of every company quoted in the London Stock Exchange Daily Official List if the market capitalization of its Ordinary shares on December 31, 1928, exceeded two millions sterling. Each index of price will be based on the geometric mean of the prices of the securities comprised in the index and the average yield index will be the arithmetical mean of the current yields of the individual securities included in the corresponding price index, the calculation being based on the running yield before deduction of income-tax.

CONSULTING ACTUARIES

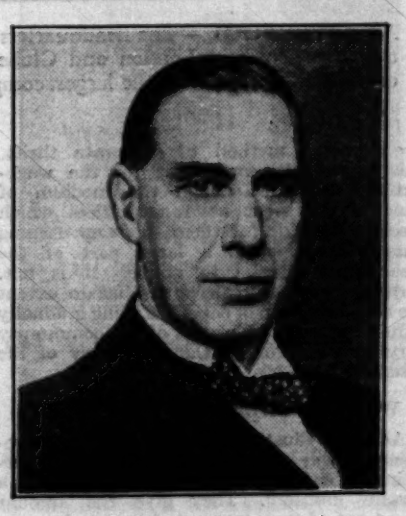
Concurrently with the growth of the Institute there has been a great extension of the actuary's interest outside the immediate sphere of life assurance, and hence the existence of a fair number of full-time consulting actuaries. These are mainly concerned with friendly societies, pension funds and widows' and orphans' funds, which now occupy an important place in the financial structure of the country. Although a considerable amount of pioneer work has been done establishing this branch of the actuary's work on thoroughly sound foundations, yet new questions arise from time to time which require the most careful consideration. As an illustration, reference may be made to the position of a large number of pension funds immediately after the War. There actuaries were faced with the problem of dealing with pension funds under which the contributions were based on pre-War scales of salary, whereas pensions were becoming payable on the inflated post-War levels of salary.

A description of the activities of the Institute would not be complete without a reference to the largest individual employer of actuaries in this country—namely, the State. As mentioned above, there were last year 41 actuaries in the service of the Government in this country. The actuary's association with the State dates many years back, when his specialized knowledge was required in connexion with the sale of National Debt Annuities. During the last 18 years, however, the birth and rapid growth of the various schemes of social insurance led to the creation of the post of Government Actuary and of the Government Actuary's Department. A new and immensely wide field of work is opened up here and the various monetary problems arising are frequently considered and discussed by the Institute. In the scheme of national health insurance the progressive deterioration reflected by increasing sickness rates is a feature of special note to which reference was made only a few weeks ago in a report by the Government Actuary. This increase in sickness rates may involve the consideration of special problems, both with regard to valuation and to the proper relation between contributions and benefits.

Finally, the most recent extension of the work of the Government Actuary's Department occurred in connexion with the Widows', Orphans' and Old Age Contributory Pensions Scheme, which is certain to continue to bring up numerous points of general interest.



Mr. C. Guthrie, president of the Faculty of Actuaries.



Mr. W. A. Workman, chairman of the Life Offices Association.

ACTUARIES IN CONGRESS

INTERNATIONAL COOPERATION

(By Geoffrey Marks, F.I.A., Hon. Correspondent for Great Britain)

The ninth International Congress of Actuaries will be held in the pleasant city of Stockholm from June 16 to 20 next. These congresses have grown continually in importance since the first was held at Brussels in 1895, and it will not be inappropriate to describe their origin, explain their objects, and consider what they have done to attain them.

The idea of calling the first congress arose out of the association of Mr. George King, F.I.A., the author of the Institute of Actuaries' text-book on Life Contingencies, with M. Amédée Bégault, a Belgian actuary, who had made a translation of this book, and later with M. Léon Marie, the general secretary of the French Institute of Actuaries.

The promoters of the first congress were able to secure the patronage of the Belgian Government, and the then Minister of Finance became the honorary president of the congress. As a result of this official interest, the Governments of seven countries, Belgium, France, Holland, Luxemburg, Portugal, Russia, and Sweden, nominated official delegates to the congress. It is interesting to note that 35 years ago a Japanese actuary attended the congress, although the Japanese Government was not then officially represented. Subsequent congresses were held in London in 1898, in Paris in 1900, and thereafter at intervals of three years in New York, Berlin, Vienna, and Amsterdam.

It was intended to hold the eighth congress at Petrograd in 1915, but the War intervened and it was not until 1927 that the congress assembled in London. This congress was especially notable as showing, not only the growth in the profession during the 15 years which preceded it, but also the development of actuarial science, and the increased interest in the practical work of the congresses. The Governments of 23 countries and dominions, including Czechoslovakia, Finland, Mexico, Poland, Rumania, and Yugoslavia, as well as the older European countries and Japan, were officially represented, while 14 scientific and other associations in different countries and the League of Nations also appointed official delegates.

THE PERMANENT COMMITTEE

The congresses are controlled by a Permanent Committee, the members of which must belong to a recognized association of actuaries or be engaged in actuarial practice. The Permanent Committee is governed by an international executive council of not more than 50 members chosen from the different countries in numbers roughly proportionate to the number of members of the Permanent Committee belonging to these countries. The executive council chooses a board consisting of a president, a general secretary, and a treasurer, 10 vice-presidents, and 10 secretaries, distributed so far as possible among the countries in the same proportion as the executive council. At the present moment 21 countries and Dominions are represented on the executive council and 12 on the board. M. Bégault is the president of the Permanent Committee.

At the time of the first congress in 1895 there were in existence only five associations of actuaries—the Institute of Actuaries in England, the Faculty of Actuaries in Scotland, the Institute of French Actuaries, the Dutch Society of Actuaries, and the Actuarial Society of America. There are now 20 such associations, and interest in the international congresses has grown proportionately. It will be seen, therefore, how much the congresses can do, and have done, to promote international knowledge on scientific points, to secure a proper standard of professional attainment and conduct, and to maintain and extend the feeling of professional fellowship which is so powerful an agent in resolving the difficulties and misunderstandings which are liable to arise in the discussion even of scientific subjects under conditions which imply wide differences of national temperament and the use of many different languages.

NATIONAL PROBLEMS

In the past the proceedings of the congresses have largely been confined to the consideration of questions connected with the theory and practice of life assurance. It is now realized that the special training and knowledge of the actuary may be used with advantage in many other directions. Actuarial problems of great national and political importance arise, not only in connexion with the vast schemes of social insurance which have been and are being promoted by the Governments of the different countries, but also out of the private schemes of a similar character—group insurance and pensions for workmen, for example—which are a remarkable development of private industrial enterprise under enlightened employers. Modern finance, too, both national and industrial, presents difficulties and intricacies which the actuary's specialized skill is well fitted to adjust and unravel, and in this connexion it is interesting to note how the extension of the actuary's field of work during and since the War (the present Government Actuary was appointed in 1917) has been paralleled by a similar extension in that of the accountant. It seems probable, therefore, that future congresses will have reason to concern themselves with a wider range of subjects than in the past, and that they will thus assume a greater importance and attract an increased interest.

CORPORATE THRIFT

WIDE DIFFUSION OF CAPITAL

ASSURANCE FUNDS IN INDUSTRY

(By C. R. V. Coutts)

In an attempt to examine the significance, from the point of view of national economy, of the invested funds held by insurance offices, it is important to distinguish sharply between the funds resulting from fire, marine, accident, employers' liability, and other forms of what may be called, for convenience, "trading insurance" on the one hand, and those resulting from life assurance on the other. Life assurance differs essentially from other forms of insurance. The essence of fire and other forms of trading insurance is the selection, measuring, and distribution of risks. The success of the great composite insurance offices which undertake almost all forms of trading insurance is due to the efficiency of their underwriting. The existence of fire, marine, and other departmental funds, although of great importance, is ancillary to, rather than arising directly out of, the nature of these forms of insurance business.

A life office, on the other hand (and to save unnecessary repetition I include in the term "life office" the life departments of the composite companies), is primarily an organ for promoting corporate thrift. The selection and measuring of the risks of death, though not unimportant, are comparatively minor elements in the successful conduct of a life office. The problem of how to invest the funds to the best advantage is the one which dominates the business of life assurance, the whole fabric of which is built up on the earning power of money.

TRADING INSURANCE FUNDS

The reason for creating and maintaining special funds allocated to the various branches of trading insurance arises, in the first instance, from the fact that at any date when an account is struck there are contracts still running for which the office has received the premiums and under which it will be liable to pay the claims. At the same point of time there are also outstanding claims for losses which have been reported but not settled, and in the case of marine insurance the possibility of losses which have not been reported and cannot therefore be measured. In striking a balance at the end of any year of account it is therefore necessary to set aside part of the premiums received as a provision for these outstanding liabilities. Thus a fund arises which, in the case of a continuing and growing business, places a permanent and increasing sum in the control of the office, which in itself is a source of income apart from, and in addition to, the ordinary trading profit arising from the various forms of insurance transacted. But this is by no means the whole story of the trading insurance funds created by the great composite companies. For many years past these companies have practised an extremely conservative policy in distributing dividends to their shareholders. A large part of the trading profit, instead of being paid out in dividends, has been added to the reserves and invested in interest bearing securities. Experience has shown that these additional funds are no mere luxury but play an essential part in the efficient conduct of insurance business. The existence of funds much in excess of the technical liability for unexpired risks, &c., has enabled the companies to face with equanimity catastrophes, such as the San Francisco disaster in 1906. And the profits made, but not distributed, in prosperous years have made it possible for the companies to continue to provide insurance facilities during periods of adversity, when, with less resources, they might have been forced to close down.

"INVISIBLE EXPORTS"

This great financial strength has also played a big part in enabling these important enterprises to extend their business to all parts of the world. The exceptional security which they offer, coupled with the British reputation for commercial integrity which they have established everywhere, has produced a large and profitable volume of insurance business, the profits from which are an important factor in our "invisible exports."

Another result of this policy of retaining profits and investing them in securities is that the income from these invested funds has grown to such an extent that this alone provides a good return on the original capital. It is, in fact, now becoming more and more the established practice with many companies to pay little, if anything, in dividends over the interest earned on the funds, leaving the underwriting profit to be added to the reserves. Thus the shareholders in a composite insurance company, originally partners only in an insurance enterprise, have now become the proprietors of an investment trust which also carries on a large and satisfactory insurance business. This curious and characteristically British development is not the result of some logical plan, nor of a set purpose, but rather an indirect result of extremely cautious finance acting on a strong tendency to expansion.

Life assurance funds owe their existence to the special character of life assurance contracts. Unlike trading insurance policies life assurance contracts are of a permanent character, and, to take the simplest form, are based on the payment of a level annual or periodic premium to cover the risk of death, which increases with advancing age. As the premiums received in the early years are in excess of the sums required to meet the claims in those years the balance is accumulated to provide a fund to meet the claims in later years. Life assurance funds, therefore, differ radically from those of trading insurance in that they are built up, not out of undistributed profits, but out of premiums. They are fiduciary in character, and held in trust for the policyholders.

The life assurance funds of the offices established in this country now amount to several hundred millions sterling, and are growing at the rate of about £35,000,000 a year. From a social and economic point of view these funds have a double significance. They provide all classes of the community with a convenient method of corporate thrift. This is specially important for the wage-earning classes. Through the medium of some of the great assurance offices which specially provide for them the wage-earning classes have saved a large part of the great sums referred to above. It is not, perhaps, generally realized to what an extent the real ownership of capital is being gradually diffused through all classes of the community very largely through the machinery of life assurance.

WAGE-EARNER TO CAPITALIST

As an illustration of this development, I will give the following figures relating to a group of workers employed in a certain industry. They give the amount saved out of their wages and invested, in the form of premiums, in one life office. These savings have been made entirely voluntarily and without any stimulus in the form of contributions from the employers. The number of workers employed in this group have not varied materially throughout the period chosen.

In	1913	the amount saved per annum		was	£18,000
„	1923	„	„	„	£150,000
„	1929	„	„	„	£231,000

In 1913 wages were very little above subsistence level. As a result of the re-distribution of the national income brought about by the War, the level of the real wages has been appreciably raised. So far as this group can be taken as typical of the modern wage-earner throughout the country, it is satisfactory to find that the increased wages enjoyed by certain classes of the community are not in the main being dissipated in "beer and skittles," but are finding their way into investment channels by means of life assurance and other forms of cooperative thrift.

So far we have considered the importance of life assurance funds from the point of view of those who provide them and whose savings they represent. But there is another side to the medal. These funds supply an important part of the new capital required for so many purposes under the conditions of modern civilization. Probably the largest single item in the investments of life office funds is that which appears in the balance-sheets under the heading "British Government Securities."

THE NATIONAL DEBT

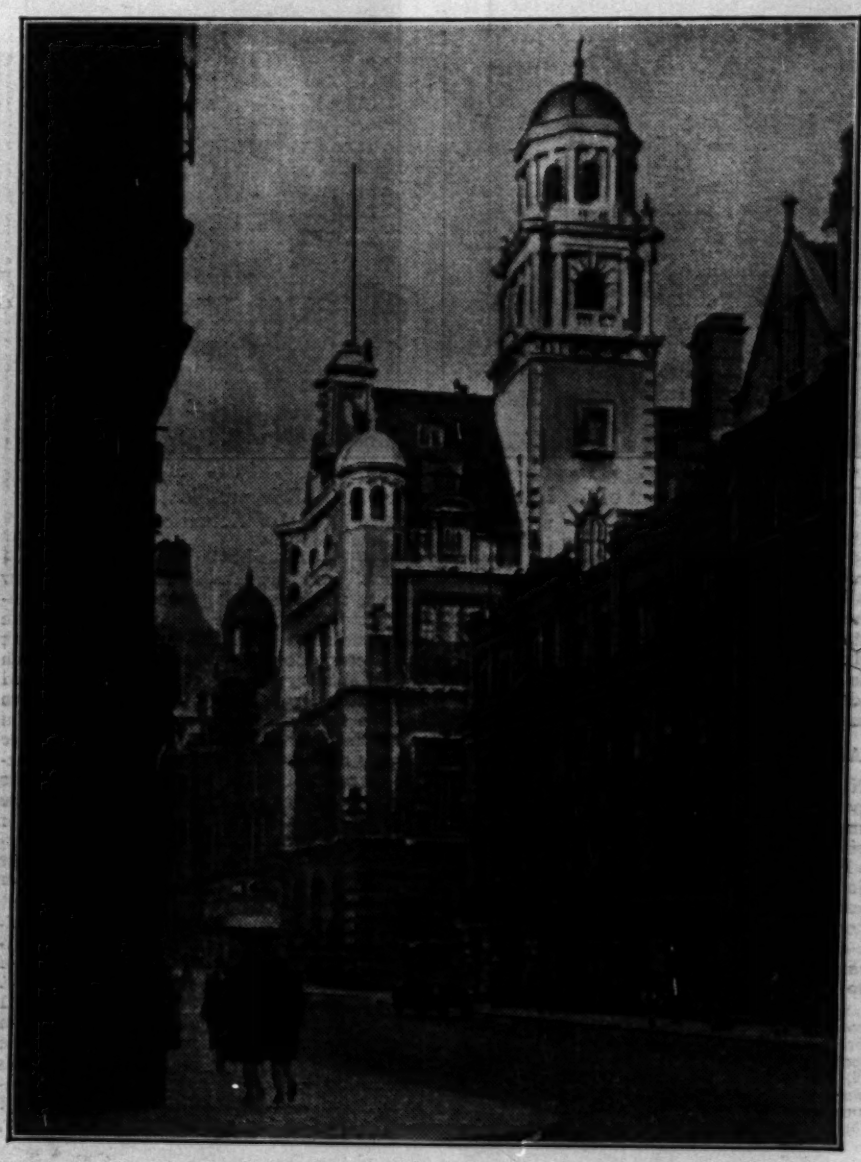
This large holding, the beneficial interest in which is spread over many millions of policyholders, deserves special consideration at the present time when schemes may be introduced to reduce the rate of interest on part of the National Debt. It is assumed by all political parties that this would be to the national advantage. But when it is considered that the beneficial interest in the Debt is so widely spread through all classes, through their interest in life assurance funds and other forms of corporate thrift, and that taxation is raised in the main from a comparatively small section of the population, it may be doubted whether the great bulk of the population would not lose more by the reduction of the interest they receive on their corporate holdings of War Loan than they would gain by any reduction of taxation which might result from it.

Life assurance funds are spread over so wide an investment field that it would be impossible adequately to examine it within the limits of this article. They contribute largely to the capital raised for public purposes, for public utility undertakings, and for commerce and industry at home and in the Dominions and in foreign countries.

INVESTMENTS ABROAD

In this connexion it may be worth while to recall an incident which happened during the War. The Government had incurred large obligations in the United States which it was required to meet at short notice. At the request of the then Chancellor of the Exchequer the Prudential immediately placed its large holding of American securities at the disposal of the Government, thus rendering a great service to the country, and at the same time showing that to invest money abroad instead of at home is not necessarily contrary to the national interest.

Life assurance offices, in addition to covering the risk of death, also provide in the form of investment policies opportunities for the small investor to invest his savings collectively and thus to share in the advantages that arise from investing on a large scale. Hence in recent years increased attention has been directed to the problem of how to invest life assurance funds to the best advantage of those beneficially interested—*i.e.*, the policyholders. That different views are held on this important question by various eminent people is not a matter for regret but for satisfaction. The more intelligent the use made of the growing funds arising from the development of life assurance, the greater will be the benefits conferred, not only on the holders of life assurance policies but also on the commerce and industry of this country, which depend for an important part of their supplies of new capital on this source.



AT LIVERPOOL.—The headquarters at Liverpool of the "Royal," with which the Liverpool and London and Globe has been associated since 1919. The consolidation represents the largest composite insurance undertaking in the world.

ADVANCES ON HOUSE PROPERTY

REPAYMENT BY POLICIES

(FROM A CORRESPONDENT)

Excellent work is done by well-managed building societies, whose practice it is to invite subscriptions for shares on which attractive rates of interest are paid, free of tax, and to invest the capital in advances on house property. Vast numbers of persons are by these means becoming the owners of the houses in which they live. As a rule, advances up to quite high percentages are made on the values of freehold and leasehold properties as approved by the surveyors to the societies.

Repayments are made over a period of years, the monthly instalments representing, in part, the interest on the advances, and, in part, the repayment of capital. At first the greater portion of the instalments represents interest, but gradually the amount of interest required diminishes as the principal is reduced until the whole of the amount lent is repaid and the property becomes free of any mortgage.

Only one real criticism can be made of this system, and that can easily be met. Should the borrower die before the whole of the advance is repaid there must still be a mortgage remaining on the property. The individual who had covered himself amply by life assurance could regard this possibility with equanimity, since there would then be an assurance of funds with which his dependents could repay the advance and become the entire owner of the property. Unfortunately, ample life assurance cannot yet be regarded in this country as the practice, and special assurances to provide for the repayment of the advances by building societies often need to be arranged.

ARRANGEMENTS FOR ASSURANCE

This special assurance can usually be provided in the case of a healthy individual. The building societies arrange for the grant of life assurance cover by strong assurance offices, and one old-established and progressive assurance company has specially identified itself with this class of business by close cooperation with many of the leading building societies of the country. This cover is, as a rule, for the period of the mortgage, which generally means a term of 16 or 20 years, and it is a diminishing quantity year by year as the principal is repaid and the amount of assurance needed for this particular purpose is reduced. Such assurance can be provided at a very moderate rate of premium.

There is an analogy between these assurances and those which are provided by life assurance offices to cover the lives of purchasers of commodities, such as furniture, by instalments. The principle on which building societies work is, indeed, that of the acquisition of house property by instalments. It enables those who are not possessed of sufficient capital, or have their capital invested in other ways, to provide the necessary capital out of income and, in due course, to attain complete ownership.

Besides the arrangements which can be made between building societies and life offices to cover the risk of premature death, advances on house property have, in recent years, been granted on an increasing scale direct by life assurance offices. One institution after another has devised special schemes.

PLANS OF LIFE OFFICES

The usual practice is for the offices to make advances similar in amount to those which are allowed by the building societies and to provide for the repayment of the loans by the proceeds of an endowment assurance. The annual charge to the borrower is then the rate of interest charged on the advance and the premium on the life assurance policy. The premium ranks, of course, for the rebate of income-tax according to the present regulations. The assurance is always for an amount at least equal to that of the loan, and it is often in excess of it, so that not only is provision made for the repayment of the advance, but there is also a surplus at the end of the term. Not infrequently policies participating in profits are chosen, in which case there should be a considerable sum available on the maturity of a policy after the repayment of the advance.

This system of advancing funds for the purchase of house property has proved satisfactory to the assurance offices, as well as to the borrowers. The advances, which are always made for a sum within the estimated value of the property, provide a safe means for the investment of a portion of the funds of the life offices, for which the managements have always to provide a satisfactory outlet. They bring a certain amount of life assurance to the institutions, whose function it is always to be granting new assurances and, in the case of insurance companies transacting all the principal forms of business, there is usually a stipulation that the property shall be covered with them against the risks of fire. This provision respecting fire insurance is also necessary when building societies make advances to their members.

In one way or another there are clearly many opportunities for life assurance offices to link their work up with the purchase of house property by instalments, and, as the reports of the assurance institutions show, they have been making good use of them. The figures of both the life assurances granted by the offices in association with building societies and the business done by the life offices direct with their assured are now very considerable, and the contracts represent a very valuable form of assistance to householders.

THE CHARTERED INSTITUTE

A STOREHOUSE OF KNOWLEDGE

EDUCATIONAL FACILITIES

(By Victor Dover, F.C.I.I., Secretary, The Insurance Institute of London)

The fundamental idea underlying insurance is service. Its purpose is to afford a sense of security to the individual and to the community. It has been described as the "handmaid of commerce," "one of the twin pillars of industry" (banking being the other), and as the "bulwark of the home." Life assurance is certainly the comforter of old age and the true friend of the widow and the orphan. Insurance is essentially human. It is as variable as life, yet as constant as the integral calculus. To meet the ever-changing demands of the public insurance must be adaptable; to satisfy the requirements of security it must, nevertheless, be conservative. In insurance must be combined the vision of the seer, the understanding of the padre, and the caution of the diplomat. The insurer is the servant of the public. His duty is to receive public moneys, carefully to administer them, and to distribute them in accordance with the incidence of loss and misfortune. This is public service of the highest order, and it is natural to expect that in the conduct of the business there should be found signs that those who follow it are not wanting in ideals and have a proper appreciation of their responsibilities.

PRACTICE OF INSURANCE

The practice of insurance is justified only in so far as it fulfils its objects. Those who are engaged in the business are worthy of their place only to the extent to which they contribute to the common weal. Effective service is rightly demanded of those who administer what may be regarded as public utilities, and it may be urged with confidence that insurance men as a whole have a fine conception of their obligations. Efficient work can be done only from knowledge and understanding. Education, rightly organized, can ensure the proper dissemination of knowledge: understanding follows on experience and contact with one's fellow creatures. This coupling of the spirit of understanding with knowledge is embodied in the motto of the Chartered Insurance Institute, namely, "Consilium Scientia," and may truly be said to represent the ideal underlying a movement that has exercised a profound influence on the business of insurance during a period of more than fifty years.

During the latter half of the nineteenth century it was realized by insurance men of vision that the business was daily becoming more and more complicated, and that the time was passing when experience alone would suffice as a training ground for the insurance man of the future. A pooling of knowledge was imperative: the fruits of individual experience should be placed on record so that those who came after might profit from the achievements and avoid the mistakes of their predecessors. To fit insurance men for the efficient conduct of their business and to provide a storehouse of knowledge on every subject relevant to insurance is the function of the Chartered Insurance Institute.

THE INSTITUTE MOVEMENT

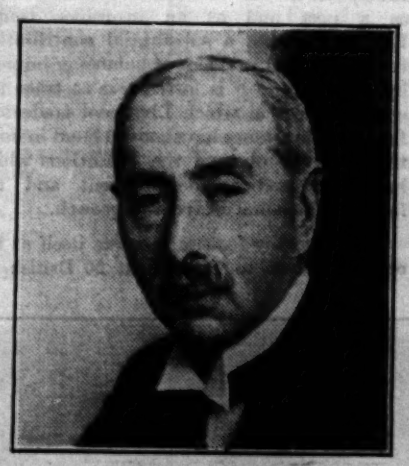
The Institute movement in insurance had its origin in the North Country over fifty years ago. In the year 1873 was founded the Manchester Insurance Institute. By 1897 there had been formed independently in eight other commercial centres insurance institutes similar to that in Manchester. At each of these institutes were presented at intervals papers dealing with insurance and allied subjects; opportunities were provided for the exchange of ideas, and the asperities of competition were softened. The linking up of the various independent institutes took place in 1897, when there was constituted the Federation of Insurance Institutes of Great Britain and Ireland. London was not represented in the federation, and it was not until 1907 that the Insurance Institute of London was founded, although for many years previously there were intermittent attempts to form an insurance institute in the metropolis. Some years later the federation became an incorporated body, the object of this change in constitution being intended as a preliminary to the presentation of a petition for a Royal Charter, which was in due course carried to a successful conclusion in 1912. At this date there were 22 local institutes, and London had attained the numerical importance warranted by the importance of the City as the world's greatest insurance centre. There are to-day 39 local institutes functioning as constituent parts of the chartered body. Many of the provincial institutes have branches in contiguous centres. There are, in addition, ten institutes in the Dominions affiliated to the Chartered Insurance Institute.

Membership of the Chartered Institute is automatically conferred by membership of a local institute. At the present time the total membership is approximately 20,000, that of the London Institute being about 6,000. The Chartered Institute is governed by a council on which serve representatives of all of the local institutes. Every year the members meet in convocation: the conference this year is to be held in Sheffield on June 20.

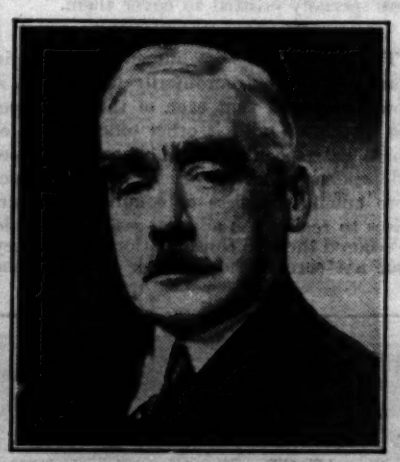
The prime function of the Chartered Institute is education. In practice, the council of the parent body controls examinations and the local institutes organize the preparation of candidates therefor, frequently cooperating to this end with the local educational authorities.

EXAMINATIONS

The examinations conducted by the Institute are three in number—namely, Preliminary, Associateship (in two parts), and Fellowship (in two sections). The Preliminary Examination is solely a test of general education, and exemption therefrom is granted, on application, to candidates holding one or more of the recognized equivalent certificates of public examination authorities. The Associateship Examination is departmental in character, and a candidate may enter in any one of the four main branches of insurance—fire, life, accident, or marine. The subjects to be taken include every aspect of the theory, law, and practice of the branch of insurance selected.

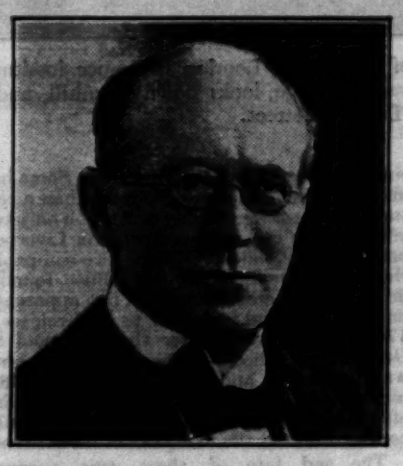


Mr. George W. Reynolds, president of the Chartered Insurance Institute.

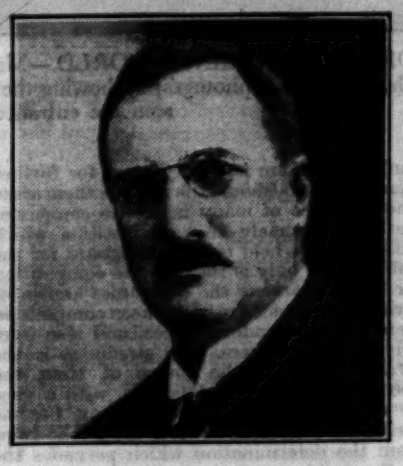


Mr. Herbert Lewis, president of the London Insurance Institute.

Mr. O. Prentice, chairman of the Liverpool Underwriters' Association; Mr. R. M'Connell (centre), general manager of the Royal and "Globe" Insurance Companies, and Mr. G. A. T. Darby, chairman of the Institute of London Underwriters.



Mr. F. W. Pascoe-Rutter, governor of the London and Lancashire Insurance Company.



Sir Arthur Worley, managing director of the North British and Mercantile Insurance Company.

In the Fellowship Examination the candidate is first required to demonstrate his knowledge of the fundamental principles of all four branches of the business, and is subsequently expected to display a knowledge of the elementary aspects of commerce, banking and finance, and commercial and company law. It has been said that the Associateship Diploma is evidence of departmental proficiency and the Fellowship Diploma the broader outlook of the all-round insurance expert.

The importance of the work of the Chartered Insurance Institute and some indication of the extent of its growth are provided by the following figures:—

—	1913	1930
No. of Examination entries	1,314	7,669
No. of candidates	1,120	7,179
No. of subjects	40	75
No. of papers submitted		
Fire	2,644	
Life	215	
Accident	1,207	
Fellowship		1,848
Associateship		17,340
Preliminary		5,200

The examinations in 1930 were held in 55 home centres and in a number of places abroad. Other than in purely scholastic subjects the whole of the task of setting and marking the papers is undertaken by persons actually engaged in the practice of that section of the business of insurance in which they act respectively as examiners.

During the winter months a very large number of lecture courses is arranged by the Council of the Insurance Institute of London, covering every subject in the Associateship and Fellowship examinations. These are held on the premises of the great insurance companies and at Lloyd's. Classes in preparation for the Preliminary Examination are arranged at the City of London College. In addition, the London County Council cooperates with the Institute in holding in suburban centres classes for all parts of the examinations. There has been set up by the London County Council a Consultative Committee on Commercial Insurance, on which sit representatives of the London Institute as well as members of the Education Committee of the London County Council. It is appreciated that success in examinations is not necessarily conclusive evidence of fitness to hold responsible positions in insurance and that the knowledge acquired in the various classes is not absolute.

CHARACTER AND PERSONALITY

Every possible opportunity is therefore afforded by the local institutes for their members to develop character and personality. The Insurance Institute of London carries its educational arrangements beyond the Fellowship stage, and in recent years has offered extensive "Post Graduate" courses for the benefit of its members. These courses aim at keeping members abreast with the ever-changing needs of insurance in relation to commercial and individual requirements, and appeal specially to those who have qualified as Fellows or who, by age and experience, have reached a similar standard.

Recently the Council of the Chartered Institute has begun to collect insurance relics of historical importance, and already has gathered the nucleus of what in due course will be a comprehensive insurance museum.

INSURANCE AS A CAREER

JUNIOR CLERK TO MANAGER

(FROM A CORRESPONDENT)

Insurance is a business, not a profession. Yet being concerned with fulfilling essential needs of mankind, the pursuit of a career in insurance offers attractions to a good type of young manhood

If established traditions are to be maintained the right *personnel* must be attracted into the business. It is the practice at least of the great insurance companies, other than in exceptional circumstances, to recruit new members of the staff only from among those who have recently left school. It is unusual to engage any youth under the age of 16 or beyond the age of 18 years. Education at a public school or at a good secondary school is essential. As during the earlier years of his employment a young man who has been appointed to the staff of an insurance company will not be self-supporting, some importance is naturally attached to the home circumstances of the applicant. In any case, it is desirable that the youth should have matriculated while at school, or at least should offer definite evidence that his education is of matriculation standard. Schoolmasters' reports are not given undue weight, and it is therefore of the greatest importance that the opportunity should be taken by insurance aspirants of sitting for suitable examinations before leaving school. Subjects of importance to study in insurance practice are mathematics, foreign languages, and geography. Too often geography appears to have been badly neglected.

APPLICATIONS

Contact between the applicant and the prospective employer is formed in a variety of ways. Insurance companies are not averse from considering direct applications, but the general experience is that comparatively few of these lead to mutually satisfactory appointments. Certain companies insist on nomination by a director, but these are in a minority. Others have preferences for candidates recommended by such agencies as the Headmasters' Association, and a number of companies are in more or less constant contact with individual headmasters.

The right introduction may suffice to ensure the appointment of an otherwise suitable applicant for a position with an insurance company, but influence cannot be carried over the doorstep of the office to affect unduly his subsequent career. After a probationary period, varying in duration from six months to three years according to the office concerned, if a new employee shows no inherent promise he is tactfully but frankly advised to transfer his activities to some other vocation for which he may be more suited. In the case of one leading company it is necessary to serve an "apprenticeship." Most companies require applicants for positions to sit for their own entrance examination, but this test is not usually severe in character. Generally, it requires the application of commonsense rather than academic proficiency.

Initial salaries vary from, say, £60 to £90 per annum, according to the company and age on admission. In many cases, the salary is "income-tax paid." For the first few years increases are usually on the basis of £15 or £20 annually, special advances accompanying definite additions to responsibility and inducements being offered as rewards for a successful passage through the examinations of either the Chartered Insurance Institute or the Institute of Actuaries. A "marrying" wage cannot be relied upon before the age of 26, and from this time onwards salary prospects are dependent on the practice of the particular company and the progress of the employee. If the individual has no outstanding ability, he may usually rely on gradually reaching a maximum of about £500 per annum. This will be pensionable—sometimes "at the discretion of the directors"—and there will be other advantages, such as a widows' pension fund.

EXECUTIVE POSITIONS

For the young man of real ability, possessed of character and personality, fired with ambition, and prepared to work hard and long, real prospects are offered of getting out of the rut and possibly of reaping substantial rewards. There are available innumerable executive and semi-executive positions for those who are ready and willing to master the intricacies of finance and insurance and who can acquire facility in handling their fellowmen. The position of a successful branch manager, at home or abroad, is socially desirable and usually well-remunerated. An essential qualification is acquaintance with the company's business and with its customers. Salaries for these posts range between £800 and £2,000 per annum and are often accompanied by profit or over-riding commission. There are also opportunities for the departmental specialist—in a particular branch of the business, in surveying, electricity, chemistry, loss assessment, statistics, investments, or other of the many and intricate facets of insurance work. The chief executive positions are comparatively few and are open only to those of exceptional ability. The rewards are great and large incomes are earned by some of the leaders of the business, but, as in other spheres of activity, those aiming at the big prizes must be possessed of ample natural gifts, or they must be prepared steadily to develop such good qualities as they possess, and, above all, they must be ready to work hard. Every junior clerk is a potential general manager, for it is merit, and merit only, that counts.

FAMOUS LONDON INSTITUTIONS

GREAT HOME OF INSURANCE

TRADITION AND OUTLOOK

(FROM OUR INSURANCE CORRESPONDENT)

London has the distinction of being the home of the oldest fire office in the world still maintaining a separate existence and of many other long-established and famous insurance institutions. The Sun Insurance Office was formed in 1710, but there are records of British fire offices long before that year. The Great Fire of London, in 1666, led to the formation of several important companies to underwrite fire risks, although there is evidence that the business was undertaken earlier than then. In 1667 Dr. Nicholas Barbon, a close relation of the Cromwellian Praise-God Barebones, started business as a fire underwriter, and the oldest office—the Hand-in-Hand—was established under another name in 1696 and was acquired 25 years ago by the Commercial Union. In the eighteenth century numerous offices were formed, and, as centenaries and bicentenaries have been observed, fascinating books have been written describing their beginnings, the motives of their promoters, the patience exercised in rearing them, the gradual growth of the offices, and the honourable place which they have attained in this country and in the commerce of the world. In an appreciation of the position of London as a great home of insurance history counts, for the strength of the market owes much to its age. The growth of an insurance company, if it is to be sure, is necessarily slow. Many of the most successful offices were formed with a capital which, judged by the standard of other big enterprises of to-day, was very modest.

The founders of the insurance institutions realized that in order that these might develop and to be able to assume increasing liabilities they must be possessed of adequate funds. So, over long periods, the policy of the directors and managers has been steadily to restrict dividend payments and, when profits were earned, to apply considerable proportions of them to their reserves. From time to time great conflagrations have occurred and swept away large portions of these funds. Costly though these catastrophes have been to the fire insurance offices, the prompt settlements which they made, both in this country and abroad, added lustre to their names. Their credit was raised and business men in all countries concluded that the security offered by the British companies was unexcelled, if it was equalled.

At first confining their work to this country, the British fire insurance offices began to extend it abroad. As new countries were developed insurance was needed, and British offices already established were well equipped to provide it. Manufactures exported from this country for the building of houses and railways had to be insured, and marine underwriters covered the merchandise during its transit. After the arrival of the goods the owners who had invested their capital in the industrial developments needed to protect themselves against the risk of loss by fire, and offices, or agencies, oversea were established. Those who settled in the new countries wished to insure their produce during its transport to the Old World, and marine underwriters were again required to provide protection. To-day London remains the chief market of the world for many commodities. Although large quantities of produce are now shipped direct from the countries of origin to Continental ports the greater part of the buying and selling takes place in London, the finance is provided by London banks, and the insurance by London institutions.

REINSURANCE

Apart from the insurance business directly undertaken by the British companies oversea a considerable volume of reinsurance, some of it on a reciprocal basis, is transacted by London insurance companies with foreign offices, and a good deal of reinsurance of this kind is brought to London by brokers. Underwriters are themselves strong believers in the insurance principle of spreading risks, and no soundly conducted insurance company will retain a larger line on a particular risk than it could properly afford to bear in relation to its total liabilities. This means that in the event of a claim for a total loss it may be settled without undue disturbance to the whole account. Companies, wherever they are situated, know that, at an appropriate rate, lines can always be placed in London.

Fire and marine insurance are closely associated. Frequently they dovetail into each other. Both are intimately related to oversea commerce, and institutions with their headquarters in London transacting each type of insurance have established branches or agencies abroad. Living examples of the long established association of London with marine insurance are provided by the twin corporations the London Assurance and the Royal Exchange Assurance, formed in 1720, whose creation by Royal Charter was followed at intervals by other offices whose names are also respected wherever marine insurance is conducted, and the business of underwriters at Lloyd's can be traced to meetings at a coffee-house in the City during the last quarter of the seventeenth century.

Besides fire and marine insurance, the British offices now transact in this country and abroad the various forms of accident insurance, of which motor business has become highly important. Again, a London company—the Railway Passengers' Assurance established in 1847—claims to be the oldest purely accident office in the world and issued its first policies on the lives of passengers in the early railway trains. With the introduction of motor transport accident companies accepted the risks involved, and enterprises were specially created to cover them.

CONSOLIDATIONS

The list of large insurance companies in London is not extraordinarily long. Yet it would be found that each of the big offices has associated with it other offices, most of which have been acquired when they were independent concerns. Insurance companies were among the first of commercial enterprises to realize the advantages which could be secured through consolidations. Still, they have not carried the principle so far as the banks, and there is clearly room for further amalgamations should the need for them arise. The existence of many insurance companies and the extremely keen competition which exists may be held to be a safeguard for the public. Not only is there severe competition for business among the companies known as tariff offices, but there is also keen competition from the independent offices, and also from private underwriters. So strenuous is the rivalry that, in the course of time, the need for further consolidations, with a view to a reduction of expenses, may become insistent. In the meantime, the public gains from the determination which pervades the staffs of the great companies to be true to their heritage and to promote the prosperity of companies which their predecessors founded on a solid basis.

TYPES OF LIFE OFFICES

Life assurance offices of every kind prosper in London and between them competition is also intense. There are the life departments of the large general insurance companies, proprietary life assurance companies with small capitals, and mutual societies. Their headquarters are to be found in the City, in the West Central district of London in the neighbourhood of the Law Courts, and in the West End. London is the home of the Equitable Life Assurance Society, established in 1762, which is generally regarded as the parent of life assurance as it is transacted to-day, and of many other honoured offices of whose history and services the managements and members are justly proud. Each is vying with the others to give the best results to its policyholders.

Although London as an insurance centre is old, and its experience great, its outlook is youthful and enterprising and business men know that every legitimate risk can be covered somewhere in the metropolis. One scheme after another which has proved of assistance in commerce has had its origin in the brains of insurance officials whose fathers and grandfathers often were pioneers before them in developing special types of insurance.

THE HEART OF THE INSURANCE WORLD.—Many of the leading London insurance institutions have their headquarters in the City. Our photograph, showing the Royal Exchange, looks down Cornhill, and on the right is seen the entrance to Lombard-street.

INSURANCE OFFICES IN LIVERPOOL

HOME OF LARGE ENTERPRISES

GATEWAY TO THE WEST

(By Hubert Calvey, F.C.I.I.)

The achievement of greatness commercially necessarily involves the provision of, and recourse to, facilities for insurance, for in each phase of trade protection by insurance is needed. It is not surprising, therefore, that to thoughtful minds the epic of the commercial progress of Liverpool is also the unfolding of the story of the growth of Liverpool as an insurance centre. Both as a port and as an insurance centre Liverpool makes a substantial contribution to the national problem of balancing imports by exports, and it is instructive to trace the circumstances in which Liverpool trade and Liverpool insurance have moved hand in hand together; to observe the conditions which have conduced to development and the factors which have favoured growth.

A noteworthy feature presents itself at the outset. Down to 1836 about 20 British insurance offices had been launched. Some had already been in existence for more than a century, and most were faring well. The only two offices which had been promoted in Liverpool had, however, failed. Of these two companies the earlier, the Liverpool Fire Office, founded in 1776, prospered for a time, but apparently had no root and it ceased to do business in 1795. Seven years later the Liverpool St. George Fire Office was formed, yet its birth was untimely; and its abandonment in 1806 must be largely attributed to the crippling effect of the disastrous Goree warehouses conflagration in the first year of its existence.

The sad fate of these two ventures serves as a foil to the brilliance of the success which has attended the careers of the offices subsequently established in Liverpool, and more especially the two which were next promoted—namely, the Liverpool and London and Globe (floated as the "Liverpool" in 1836) and the Royal Insurance Company established in 1845.

TRADE AND INSURANCE

Clearly discernible are the broad contours of the events which influenced the progress of these later Liverpool offices. The cessation of the Napoleonic Wars introduced a long period of peace. With the advent and application of the steam engine, and the vogue of inventiveness, production increased enormously. Simultaneously there was an amazing growth in the home population, unprecedented progress in exploration and colonial development, and the opening up of America. Rail and sea transport changes made Liverpool in an increased degree the natural outlet from and inlet to a rich and populous interior which — particularly as regards the textile industry — was being rapidly industrialized. Aided by such factors, and her position as the true gateway to the West, the trade of Liverpool increased enormously. Coincidently there was a more definite awakening to the need for insurance and a larger demand for the service which only insurance can afford.

Liverpool has been for nearly a century a pioneer in insurance development generally, but she has special claims to distinction in respect of marine insurance. It has been claimed that the beginnings of marine insurance in Liverpool were almost as early as in the case of London. In about the year 1750 Liverpool is mentioned in an old publication as

> a place where great Insurance is transacted . . . on as fair a Footing as in any part of the World;

and for years before the Town Hall fire of 1795 Liverpool underwriters had been accustomed to meet there, from which we may suppose that the class of business was at least as select as that transacted in London. In 1802, when there were 11 firms of marine brokers doing business in Liverpool and underwriting for about 300 names, the Liverpool Underwriters' Association was formed at a meeting (in a coffee-room) under the chairmanship of John Gladstone (father of William Ewart Gladstone), and this is the organization, keenly alert and vigorous as ever and with a long and honourable record of influential service, which still regulates marine insurance practice in Liverpool.

HEAD OFFICES

The passing of the Companies Act, 1862, stimulated recognition of the advantages of joint-stock enterprise, and between 1860 and 1881, Liverpool became the birthplace of seven of the largest and best of the Marine Offices. In the meantime there had been much branch and agency development. Liverpool's first directory—for the year 1766—gives the names of five insurance brokers and one agent for a population of about 30,000. To-day, having been gradually attracted by the possibilities in Liverpool for the securing of desirable business, every British insurance office of importance is represented there.

Much of the glory of Liverpool insurance rests in her head offices, and the supreme feature of the head offices is the "Royal" group. This company with which the Liverpool and London and Globe has been associated since 1919, holds the position of the largest fire insurance institution, and is the dominant partner in what must be regarded as the biggest composite insurance undertaking in the world. Its history of 85 years presents many features of interest, the element of inevitableness being as evident as that of individuality or personality, in management as well as in control. Inevitableness even characterized its inception, for, in the words of the original prospectus of March, 1845, "its establishment would be readily understood and appreciated by the public without comment, especially at the present time." The company is its own monument. Its distinctiveness is even indicated in the famous law case—Taunton v. "Royal" (the well-known "Lotty Sleigh" case)—which is distinguished from other cases in that it was an instance of an office resisting an attempt to prevent its paying, in its discretion, more than the mere amount of the bond.

The "Globe" has also had a career of growing achievement and was the first British office to work in America. Like the other, it has disbursed heavy amounts in respect of American conflagrations, but these losses became capital gains in the impression of unflinching integrity created in the minds of the American public.

The "London and Lancashire," although still possessing important associations with Liverpool, is now controlled from London, but it deserves reference here because the remarkable rise of this company to a place of power and prosperity was coincident with the transfer of the head office from London to Liverpool in 1872, and the assumption of Liverpool control and management, which continued unmodified until the time when the "London and Lancashire" had secured a prominent position among the leading general offices. During recent years the "Sea" and the "State" have also made rapid progress.

FIRE SALVAGE.

A passing reference needs to be made to the existence and activities of the Fire Salvage Association of Liverpool, which the fire offices maintain at their own expense, the cost of up-keep being very considerable. The association renders substantial public service in its extensive salvage, inspection, and advisory work. Reference may also be made to the Royal Liver Friendly Society, one of the old-established Industrial Life Offices, founded in 1850, with its headquarters in Liverpool, whose building is such a distinctive feature of the river front.

Enough, however, has been written to indicate that the record of insurance development in Liverpool is inseparably associated with the romance of Liverpool trade. Even when Liverpool's first tangible step to progress was planned in 1708 and the idea took shape of the construction of a dock—the first commercial dock in England—by the impounding of the river water with floodgates so as to keep vessels afloat during the recess of the tide, who would deny that the very essence of the insurance idea was already plainly discernible?

STRONG SCOTTISH SOCIETIES

SPIRIT OF CAUTION

BRANCHES AND AGENCIES OVERSEA

(By James Gibson Nicoll, Past President of the Chartered Insurance Institute)

Edinburgh has been the setting of great historical happenings. Now it is devoted to law, medicine, banking, and insurance. Glasgow is famous all the world over for its industrial concerns and shipping. Aberdeen is famous for its Medical School and as a centre of the fishing industry; while Dundee is the seat of the jute trade and, in consequence, has large connexions with Calcutta.

With the exception of the Hercules Society, which made a rather unsuccessful attempt in 1809 to transact life assurance business in Scotland, although it had transacted fire insurance business with success, the "Scottish Widows' Fund" was the first Scottish life assurance society. The success of Scotland in carving a niche for herself as an insurance centre was primarily due to the fact that her early insurance companies were established on sound principles and were content to crawl before they tried to walk. By the time that the "Scottish Widows' Fund" was established in 1815, the lessons of the many failures in England were manifest and they had also the experience of the successful Equitable Society, which was founded on the mutual principle in London in 1762, to guide them as to the correct lines to follow.

PUBLIC CONFIDENCE

With a foundation-stone so truly laid and with their example being followed by the numerous insurance companies which were established in Scotland in quick succession thereafter, the confidence of the public was secured, and success followed slowly but surely. The fact that progress was slow at first was not, perhaps, an unmixed evil, as thereby the managers of the Scottish offices were content to proceed on modest lines and were not hampered by too sudden a growth of business before they had acquired the experience of dealing on sound lines with the problems that confronted them in transacting this new type of business and of investing their funds to advantage.

Glasgow was not long in following the lead of Edinburgh by the establishment of the Scottish Amicable Life Assurance Society in 1826. When the Northern Assurance Company was founded in Aberdeen in 1836, the directors adopted the motto "Festina lente," thus illustrating the spirit of caution which animated the pioneers of insurance in Scotland. The "Northern" transacted both fire and life business, but in its early years the life section of the business expanded much more rapidly than the fire section.

Although life assurance cannot be said to have originated in Scotland, it can be claimed that it made a strong appeal to the thrifty inclinations of the Scot, which probably accounts for the success of the many life assurance offices which sprang up in Scotland in the first half of the nineteenth century. Scotland was, naturally, too restricted a field for the operations of so many native offices, and they soon saw the desirability of looking for an outlet for their energies in other fields. The English companies had already extended their sphere of operations to Scotland, and the obvious step for the Scottish offices to take was to make a peaceful invasion of England. The success achieved by this move had the effect of hastening their growth and development.

THE SCOT ABROAD

Not content with extending their operations to England and Ireland, some of the offices resolved to go still farther afield. The Scot is a true emigrant, and when he emigrates he does not follow the precept of doing in Rome as the Romans do, but, on the contrary, he takes his institutions with him. An indomitable will to succeed, backed by the financial integrity of the companies which sent them abroad, soon brought success to the representatives of these Scottish insurance companies in the Colonies. One of the most successful life assurance companies abroad has been the Standard Life Assurance Company. Since 1846 it has been responsible for business in Canada, India, Ceylon, West Indies, South Africa, and Australia.

The Scottish Union and National Insurance Company, which transacts practically all classes of insurance business, is another instance of a Scottish company represented by branches or agencies in all the important centres of the civilized world. Fifty years ago an office for fire business was established in the United States. In 1923 it was decided to establish a subsidiary company under the name of the American Union Insurance Company of New York, and last year another subsidiary was established in Jersey City, namely, the Central Union. The motto of the "Scottish Union and National" is "Unitate Fortior," and, acting in this spirit, it has gained strength by the absorption of various companies. In 1906 it acquired the business of the Lancashire and Yorkshire Insurance Company, which transacted accident business; in 1913 that of the City of Glasgow Life Assurance Company, which had had a branch in Calcutta for many years; and in 1914 the purchase of the Maritime Insurance Company, Limited, of Liverpool, doing marine business, was completed.

The North British and Mercantile Insurance Company, which, as its name implies, was formed by the amalgamation of the North British Fire and Life Office, of Edinburgh, and the Mercantile Fire Insurance Company, of London, has acquired many other companies and has ramifications all over the world. The North British Insurance Company was founded in 1809 and in 1822 life assurance was added to its business. The North British began fire business in India in 1861 and life business three years later. At the same time it set up an agency in Canada. Since the union of the North British and the Mercantile in 1862 progress has been remarkable, with the result that to-day the North British and Mercantile is rightly regarded as one of the giant insurance companies with branches throughout the world.

The "General Accident," of Perth, and the Caledonian Insurance Company, which was established in 1805 and is the oldest Scottish insurance company, are others which have spread their connexions into all parts of the globe.

THE FACULTY OF ACTUARIES

An article on the claims of Scotland to be considered a centre of insurance would not be complete without a reference to the Faculty of Actuaries, which was founded in 1856. In 1868 it was granted a Royal Charter, and in the preamble to that document it is stated that the assurance institutions established in Scotland possessed funds amounting to 20 million pounds. At the end of 1928—60 years later—the life funds possessed by Scottish insurances offices had increased to 136 million pounds, an eloquent testimony to the growth of the Scottish offices and to their proud place in the insurance world.

Without the able management of her pioneers of insurance and their successors, and their foresight in extending the business, not only throughout the world, but also in respect of its present-day comprehensive nature, Scotland could not have gained for herself the position which she now occupies as the headquarters of so many great insurance offices.

The references to individual offices have been made solely for the purpose of illustrating in a suitable way the various aspects of the growth of insurance in Scotland. The omission of reference to the other offices must not be taken as any reflection of the respective positions which they occupy. Many of them hold a place equal to that of the companies mentioned and have histories just as important. All have made their contributions to the position occupied by Scotland in the insurance world and have upheld in a worthy manner the high insurance traditions of Scotland.

IN THE OLDEN TIME.—A quaint London print of 100 years ago (now in possession of the Phoenix Assurance Company), of the fire brigades, maintained by the insurance offices, dashing to an outbreak of fire. It is many years since this important public service was left to the insurance companies.

THE RISK OF FIRE IN GREAT BRITAIN

NEED OF ADEQUATE COVER

COMPREHENSIVE POLICIES

(By L. Williamson)

It speaks well for prudence in the selection of risks and for soundness of underwriting that, notwithstanding the heavy cost of the fires in the United Kingdom during the last few years, the strength of the British offices remains unimpaired.

The managements of fire offices can never foresee from day to day, or even from hour to hour, when they may be called upon to meet abnormal claims and they have long been careful to strengthen reserves during better times in order that the bad period, which inevitably arrives sooner or later, may be faced with fortitude. The practice of maintaining substantial reserves thus assures at all times the ready fulfilment of obligations to policyholders. Big premium incomes and high profits do not necessarily go hand in hand, and even in a successful year the surplus earned is comparatively so small that satisfactory dividends could not be ensured but for the interest yield on the investments.

Although the need for adequate cover is constantly being impressed upon property-owners, it is to be regretted that under-insurance continues to exist to a serious extent. There are still a large number of buildings insured for their market value, instead of for the cost of reconstruction, which is a better measure of indemnity, and many policies have never been revised in spite of the attention which the companies have repeatedly drawn to the matter. Consequently, when losses occur, disappointment is sometimes caused to the owners who wish to replace the buildings. Insurance being one of the very few commodities which has not increased in cost since the War, the apathy of the public in this question of under-insurance is difficult to understand.

ATTRACTIVE FEATURES

The usefulness and economy of "declaration" and "adjustable" policies for stocks are widely recognized and the saving of premium to be secured by effecting insurances on this basis has made a lasting appeal to proprietors of those classes of businesses whose stock tends to fluctuate in value materially throughout the year. Policies of these types enable an insured to obtain complete cover in return for a premium charged upon the amount actually at risk only. Another attractive feature of recent innovation is that provided by what is known as "long-term" contracts, whereby a discount is allowed to an insured in consideration of an undertaking to renew an insurance for a number of years, usually three or five. Reinstatement policies for buildings and machinery, a form of insurance covering the difference between the indemnity granted under an ordinary fire policy and the actual cost of reinstatement, furnish an additional measure of security for which there has been a growing demand from owners of property.

Another class of insurance which has come to the front in recent years is that covering the liability of garage proprietors for fires caused through negligence on their part, or on the part of their servants. The proprietor of a garage is not, at law, responsible for accidental fires, but it is recognized that the prevalence of the heavy risks associated with such premises, particularly with regard to the handling of petrol, places an obligation on garage-keepers to exercise care of such a high degree that protection by insurance against claims from customers is imperative. The fact that the policy can only be called upon in case of negligence is taken into consideration in the rate charged, which is assessed at a specially low figure.

The "comprehensive" policy, a type of insurance of great utility to householders and houseowners, has made rapid progress during the last few years. Cover in respect of damage to buildings through storm, burst pipes, impact by road vehicles and many other contingencies hitherto inapplicable may now be obtained for a moderate premium, and a special concession has been granted (without extra charge) to meet the needs of tenants who may be liable to their landlords under repairing contracts. In the sequence of heavy gales during the past winter, this class of policy proved its worth on many occasions. A further privilege which has been introduced is the increase to 15 per cent. of the amount recoverable in respect of property temporarily removed, but it should be noted that the extension under this heading applies only to property remaining in the United Kingdom. Policyholders who contemplate spending their holidays abroad should therefore make special arrangements with their insurers.

MANSION FIRES

The toll exacted by fire of mansions shows no tendency to relax, but the companies have not, up to the present, endeavoured to seek relief by an increase of rates. On the other hand, a great deal has been done by the offices in the way of recommendations to property-owners to assist in minimizing fire risks. The national loss resulting from the destruction of historic buildings and treasures is to be deplored, and, while it may be said that the public is more prone to view the matter from this standpoint than hitherto, there is still a want of enterprise on the part of owners and tenants in taking serious steps towards guarding against hazards which are, in many instances, too obvious to be overlooked. The bulk of the so-termed mysterious mansion fires may be attributed to an omission to adopt some elementary precaution in the carrying out of structural additions or improvements.

The call for better fire-fighting organization in outlying districts is as great as ever and more cooperation among local authorities would be welcomed. Too often there is heard the complaint that a brigade with comparatively primitive appliances has attempted to deal with a big fire, refraining until too late, from reasons of local rivalry or perhaps pride, from calling for assistance from a neighbouring council. Again, it is to be lamented that frequently a brigade is prevented from carrying out its duties owing to an absence of, or lack of, proper water supply, and a small outbreak, which might have been extinguished in its incipient stages, develops into a serious fire while the brigade stands by helpless to fulfil its task. Several cases of this description occurred during the summer of 1929, when scarcity of water in country districts was more the rule than the exception, and, as a consequence, losses in rural areas were heavy.

Turning to the record of large fires, during the last three years there have been over a dozen outbreaks where the individual damage has exceeded in amount £200,000, and as lately as January last a granary at Leith was involved to an extent estimated at £375,000.

REDUCTION OF FIRE WASTE

It has often been stated that the duty of educating the public in the reduction of fire waste is incumbent upon the State, but it is doubtful whether more could be achieved in this direction by a Government Department than is already done by the insurance companies. Greater publicity could possibly be given to the matter, but the present system of rating by the companies, which penalizes bad risks and encourages good risks, holds out an inducement upon which it would be difficult to improve. Moreover, no mean part in the work of reducing fire waste is performed by the various salvage corps, inaugurated and maintained by the offices, and a great deal is done unobtrusively by the companies in many other ways which is rarely brought to the notice of the public as a body. It would, in fact, be no exaggeration to say that industry could not be carried on with any degree of success without the cooperation of insurance companies, who not only shoulder the burden of liability, which would otherwise have to be borne by the individual, but also, by resourceful measures, keep such liability at all times well within the capacity of prompt discharge.

INSURANCE OVERSEA

DEPOSIT OF FUNDS

LOSSES THROUGH HAIL AND TORNADO

(FROM A CORRESPONDENT)

Most of the British fire insurance companies extended their operations outside the British Isles in the early days of their careers and many of them have been working abroad for well over a century. Their interests and activities are world-wide and they have accumulated a vast amount of knowledge and experience of insurance conditions in the British Dominions and Colonies and in foreign countries.

Even now the good work achieved by the British offices abroad is not fully recognized. It is well from time to time to call attention to the great services they have rendered in the British Dominions and colonies and in foreign lands by their ability, through their unquestionable financial strength, to provide safe protection at reasonable rates of premium.

There is a tendency to overlook the fact that in view of the enormous liabilities assumed, British underwriters must accumulate adequate reserves in order to stand the heavy strains of the catastrophes which not infrequently occur, and the responsibilities incurred do not seem to be fully appreciated. It is entirely due to efficient organization, skilful and cautious underwriting, and scientific conduct of their operations that most of the companies usually succeed in earning reasonable, though by no means excessive, underwriting profits.

VEXATIOUS LEGISLATION

The offices are confronted by numerous problems, not the least of which is the expense involved in acquiring new insurances of a desirable class and of retaining them on the books. It has now become the practice of many Governments to require substantial deposits of funds as one of the conditions to be complied with before the granting of a licence to operate. In some countries increased deposits are being demanded over and above the sums formerly considered sufficient to safeguard the interests of the public. There is an inclination on the part of foreign Governments to insist that such deposits shall be made wholly, or mainly, in bonds of their own particular nationality with, in some cases, an arbitrary basis of valuation. It is calculated that a company desiring to transact fire insurance in all the countries that are open to it would have to deposit at least £600,000 in cash or securities. Certain Governments stipulate that companies must deposit reserves equal to a considerable percentage of their gross premiums of a single year.

The greater tendency towards the imposition of vexatious legislation is disquieting. A fundamental principle of fire insurance is the centralization of liquid funds so that the companies may be always in a position rapidly to meet their liabilities in respect of local disasters. Large and widely spread deposits militate against this principle. In Brazil, Chile, Peru, Spain, and Portugal insurance in unauthorized companies is now prohibited, while in Chile the entry of further companies is barred.

INCREASED TAXATION

In order to augment their funds to meet increased expenditure some Governments have raised their taxation, and in certain countries offices are compelled to pay income-tax on a proportion of their world profits, irrespective of whether the business in the particular country concerned has yielded a profit or loss. There is also a growing tendency in foreign countries to impose taxation on fire insurance companies for the purpose of raising funds to assist in the work of fire prevention. In Spain, Portugal, and certain South American Republics insurance companies are required to contribute towards the cost of maintaining fire brigades and extinguishing appliances, while similar legislation has been threatened in Greece. The practice is however not confined to foreign countries, for in Australia and New Zealand legislation in this respect is particularly onerous.

The unreasonableness of this form of taxation is emphasized in the report of the Royal Commission on Fire Brigades and Fire Prevention, 1923, wherein the opinion is expressed that theoretically the subsidizing of fire brigades by direct contributions from insurance companies is unjustifiable. The Commissioners found that were the law to enforce such subsidies on a substantial scale it would probably entail a corresponding increase in the rate of premiums, with the result that the prudent citizen would have to pay more, while any relief in the burden of the ratepayer would be shared by his less prudent neighbour.

The provision and upkeep of fire brigades and water supplies are undoubtedly public duties and should be discharged at the public expense.

It is, however, gratifying to be able to record that, notwithstanding these discouraging features, British offices have, on the whole, maintained their ground abroad. There is an undoubted liking for insurance with them on the part of a considerable proportion of the insuring public overseas. It is universally recognized that the British companies can be relied upon for fair treatment, and this confidence in their good faith and in the security they offer has been of considerable assistance in meeting the competition of the large number of national companies now in existence.

NEW COMPANIES ABROAD

While British offices derive the major portion of their premiums from insurances on property abroad and the volume of business available is constantly increasing, the great influx of new companies into the foreign field makes it more and more difficult for the older-established companies to maintain their positions. It is noteworthy that for the first time the premium income of stock fire insurance companies operating in the United States exceeded one billion dollars in 1929. In that country, however, no fewer than 100 new companies have been licensed during the past four years, and in Canada also the competition of a large number of newcomers is a serious factor.

Appalling fire waste continues throughout the world, notwithstanding increased efforts to educate the public in fire protection and methods of prevention. During the last few years, while there have been no conflagrations of great size, many minor conflagrations have occurred, particularly in North America. In the United States a number of fires at piers and wharves have been experienced recently, and in the last year or two there has been a series of fires in uncompleted buildings in New York which have originated in inflammable scaffolding, a notable instance being the partial destruction of the Rockefeller Baptist Church on Riverside Drive. The final settlement of this loss far exceeded the earlier estimates, and the insurance companies were called upon to pay over £350,000.

ADDITIONAL PERILS

Fire departments of most insurance companies now undertake insurance against additional perils such as tornado, hurricane, earthquake, explosion, hail, riot and civil commotion, and war, thus affording additional service to their insured.

In the past four years immense havoc has been wrought by tornadoes in North America, the most severe being at St. Louis, Mo., in 1927, and by hurricanes in Florida and the West Indies, where large areas were devastated in Miami, Florida, and in the islands of Cuba, Guadeloupe, and Porto Rico, while considerable damage was caused at Bermuda and in the Bahamas. Much of the loss was recovered from insurance companies. Clearly the present problems confronting British underwriters abroad indicate the need for skilled and experienced direction and control of the vast interests involved.

DAMAGE BY TORNADO.—Among the most serious of the risks written by insurance companies is that of damage from tornadoes. Claims under this heading have been very heavy, especially in North America. The devastating effect of a tornado is illustrated in this picture of the main street of Lorain, Ohio.

LEITH DOCK FIRE.—A serious fire in Great Britain, estimated to have cost £375,000, caused the destruction of a grain elevator and a storehouse at Leith Docks on January 12. A photograph of the fire in progress.

FIRES AND THEIR CAUSES

PRIVATE HOUSES AND WAREHOUSES

THE DANGER OF PETROL

(By Sidney G. Gamble, for 26 Years Second-in-Command of the London Fire Brigade)

From time immemorial fire has amazed mankind by its ravages and fierceness, and for centuries it was considered in the light of "an act of God or the King's enemies." Fire brigades have existed in one shape or another for centuries. In Roman times they were co-existent with military Governments. Up to the time of the Great Fire of London in 1666, siphos, or squirts, similar in design to those left by the Romans (410 A.D.), were the best implements that were employed in the extinction of fire. After the Great Fire various ideas and schemes were put forward, especially by the citizens of London, but their business instincts were at first directed more towards indemnifying themselves for their pecuniary losses than to any direct action for preventing and extinguishing fire.

The fire insurance companies, however, soon found that their losses could be reduced by the prompt attendance of skilled helpers to extinguish fire, and they began the formation of their own independent brigades, which in 1832 formed the London Fire Engine Establishment. In 1865 the great increase in the number of fires and in the expenditure incurred caused the companies to signify their intention of closing the Establishment. Parliament took the matter in hand and the Metropolitan Fire Brigade Act, 1865, was passed. On January 1, 1866, the *personnel* and appliances of the Establishment were taken over by the Metropolitan Board of Works, the forerunner of the London County Council.

PETROL AND CELLULOID

The causes of fires in modern times are many. Since the advent of the internal combustion engine the use of petrol has become so general that the public has ceased to fear its great inflammability. Petrol is used for cleaning garments near naked lights; cigarettes are smoked near vessels that contain or have contained petrol. It must be remembered that the vapour of petrol when mixed with air forms a highly explosive compound, and is nearly three times as heavy as air. The fact that petrol will not mix with water makes it very dangerous when thrown down drains, as it is still liable to cause an explosion if ignited. The best means for putting out fires in this and similar liquids are extinguishers charged with carbon tetrachloride, and for large surfaces Foam. This may be kept in containers ready to be discharged by the action of carbonic acid gas, or in a dry state and mixed with water passing through hose.

Another substance that has added greatly to the dangers of every day is celluloid, which is to be found everywhere and in every conceivable form and disguise. As celluloid forms the basis of cinematograph films, certain regulations are applied, but alas! they are often disregarded. This mixture of nitro-cellulose contains sufficient oxygen to support combustion, and therefore continues to discharge its poisonous gases even when burning in a hermetically sealed receptacle.

DEFECTIVE FLUES

The dangers of fire in private houses are usually caused by the old open fireplaces surrounded by wooden jambs and mantles and adapted for the iron register grates which in turn have been followed by the sunk hearths. The old open grates allowed sufficient cold air to ascend the flues so that timber built into them was not subjected to sufficient heat to catch fire. The register grates generally held the burning fuel sufficiently high, and the radiant heat from the underside was diffused. The sunk hearth retains most of the heat from the fire, which will in time ignite any combustible substance within a considerable area. Many chimney flues are so constructed that pockets are formed at angles from which the soot cannot be removed by the sweep. Iron doors are sometimes fixed at these angles, and when these are insecurely fastened, or the soot is on fire, sufficient heat arises to fire adjacent materials. In like manner the intense heat ascending the flues from large central heating apparatus will vitrify brickwork and in time set fire to any timber casing or combustible material near.

The protection necessary for private houses is governed by the size, position, and distance from ready and efficient help, particularly where a telephone is not available. Fire extinguishers, fire buckets kept full of water, and in isolated places a system of water mains from a reliable reservoir or a fire pump should be provided. Petrol-driven pumps can now be obtained at reasonable cost and worked by anyone who can drive a motor-car. It is very important that however good the water supply may be it should be easily reached by the suction pipe of the pump. Pumps cannot be taken over soft ground or through a wood of dense undergrowth without great loss of time.

Another great danger occurs when several private houses have been converted into a lodging-house, private hotel, or a shop, by the removal of portions of the parting walls, with the additional result that the original exits are in many cases blocked.

FIRES IN WAREHOUSES

Warehouses and factories vary so much in construction, size, age, and situation that only general remarks can be made. New buildings, it is assumed, have been constructed to conform to some regulations or by-laws, with adequate means of exit and protection from damage from fire in a neighbouring building. The principal dangers found in buildings of the warehouse class are openings in floors and walls for the passage of shafting, stairs, pipes, &c., without proper closing arrangements; and accumulations of rubbish and dirt in dark corners and out-of-the-way places. Vermin, if allowed, will soon make holes through which fire can pass. Thick, close-jointed flooring laid upon heavy oak timbers have withstood considerable fire before they collapse. The best protection is to keep the premises clean and in good repair, the provision of first-aid fire appliances in suitable and prominent positions, and the whole properly fitted with automatic fire alarms and automatic sprinklers, of which a number of types are now on the market.

The danger of fire in theatres, not only directly due to burning but indirectly to panic, was indeed a real one until public opinion forced the authorities to pay attention to the advice of the experts and insist upon the issue and enforcement of regulations for the safety of the public. These regulations soon had a beneficial result. The average number of theatre fires in all countries has been reduced as follows:—1880-1889, 33·6 per year; 1890-1899, 21·9 per year; 1900-1909, 7·8 per year; 1910-1922, 4·1 per year.

No article dealing with fire would be complete without mention of the Salvage Corps, which are maintained by the insurance companies in a few of the large cities, including London. Their duties are far more important than "mopping up the mess made by the firemen." Apart from their work in covering up stock during fires, to protect it from water damage, their usefulness is extended to inspections of warehouses, docks, and other large buildings, and pointing out risks and dangers that only experts can detect.

To recapitulate, most fires are due to carelessness and can be prevented by watchfulness. It is no use having fire appliances if they are not kept in order and always at hand. Never neglect to find the cause of any suspicion of fire.

RATING OF RISKS

THE TARIFF PRINCIPLE

VALUE TO THE PUBLIC

(By Hubert Calvey, F.C.I.I.)

The importance of what is known as the tariff organization in insurance is intimately related to the nature of the business. As a general rule of trade the selling price of a commodity is based on the cost price which, within reasonable limits, is already known, but in insurance the selling price is first fixed and the cost must then be awaited, for time alone can establish whether the vendor's judgment was correct and his selling price a fair one to himself and his customer. It is this elementary factor which gives such a distinctive character to many features of insurance. For instance, it profoundly affects competition. Keen competition depends upon fine margins, but by what means can a competitor work on fine margins when his cost price is not capable of ascertainment until the sale is completed and the goods consumed? The most meticulous estimate may mislead. Individual past experience, if any, must prove insufficient, for insurance is subject to perplexing fluctuations. The underwriter's road to safety is to enlarge the ambit of experience and base his rates on the average results of those similarly engaged. These, however, are his competitors.

This path of prudence happens also to be the path of equity, for an inadequate insurance rate is ultimately contrary to the public interest, as an excessive one may eventually be inimical to the underwriter's prosperity. In these circumstances, three of the primary functions of an organization such as the Fire Offices' Committee—regarded here as typical of other tariff organizations and, in fact, the virtual parent of such bodies—are, first, the collation of the classified experience of its members for periods of years; secondly, the ascertainment or adjustment from this widely-gathered data of the rate of premium appropriate to each class; and thirdly, arranging that the resultant rates shall be charged for the classified risks over the range to which the experience relates so as to ensure common action, that later collated experience may be a trustworthy guide, and —a most important point—the equitable distribution of the burden of loss.

ELIMINATION OF HAZARDS

Essential tariff collaboration of this kind, which necessarily involves the offices in considerable expense, operates to the public advantage and is in contrast to free lance and often easygoing underwriting methods. By their rating systems the offices furnish definite inducements to the insured to bring about an amelioration of risks by offering rating reductions for improvements, and charging additional rates where hazardous features exist. Clearly, common action is necessary for the enforcement of such rates, and such concerted measures operate to the public advantage. Innumerable instances of this practice could be quoted. The ordinary modern cotton mill has been standardized to such a degree since the adoption of the first Cotton Mills Tariff in 1842 that the tariff fire offices may almost claim to have designed such premises, from which statement the remarkable improvement in the fire waste experience may be inferred. The system of classified storage of merchandise at public warehouses in London, Liverpool, and elsewhere has grown into a recognized practice, with a great public gain, almost entirely through the regulations of the Fire Offices' Committee. The same beneficent influence of these methods is shown in connexion with Scottish jute warehouses, the isolation of rag grinding and raw material storage at paper mills, arrangements at motor garages for petrol storage, and for packing, stoves and drying at potteries, and the location of willeying and use of oils at woollen mills. Many similar matters could be mentioned and cases cited where the value of tariff suggestions has been demonstrated in reduced loss when fire has occurred. This process of elimination of hazard, continually at work, under the tariff code, results in the conservation of wealth, stability of employment, and many other valuable economic effects.

FIRE PREVENTION

Closely connected with their rating methods are the regulations of the tariff offices, which, so far as they directly concern the public, are readily available, and from which all offices and underwriters, as well as the public, whether insured or uninsured, undoubtedly benefit. The Report of the Royal Commission on Fire Brigades and Fire Prevention, issued in 1923, paid tribute to these rules and pointed out that on certain subjects no similar rules had been formulated by local authorities, while in regard to the Fire Offices' Committee's regulations generally it was stated that the experience of the offices "is embodied to a great extent in the detailed rules and regulations . . . which undoubtedly exert an important influence in diminishing the fire risk." The earliest electric lighting rules were issued by a tariff office and were for a time the only standard for safety against fire. Later, the tariff offices jointly issued electrical rules, subsequently largely embodied in the rules of the Institution of Electrical Engineers, with which the tariff offices still collaborate on electrical questions affecting the public interest. The earliest rules to safeguard cinematograph risks were drawn up by tariff offices.

FIRE APPLIANCES

The public are generally aware of the value of automatic sprinklers and fire alarms, but, in the absence of the control exerted by the Fire Offices' Committee through their rules since the earliest application of such appliances, their usefulness and the public estimation of their value would have been far less. The present leading tariff offices were the pioneers in providing appliances for fighting fires, and the tariff offices generally have the distinction of having been always in the forefront in encouraging the production and use of efficient appliances. For years they have carried on expert technical tests of many kinds of fire appliances in order to specify minimum standards of manufacture and efficiency and to ensure that these were being maintained and the relative rating concessions earned. To perform this work more effectively the Fire Offices' Committee, at considerable expense, erected at Manchester a few years ago a technical institute equipped with facilities for complete scientific tests of fire fighting and retarding devices, so that concessions in premiums commensurate with their value might be allowed by the tariff companies, which with their unrivalled experience and records are in this way also carrying out work of the greatest public worth. In London and Manchester, Liverpool and Glasgow regular inspections and patrols are arranged of the public and other warehouses; defects or irregularities affecting the fire risk are reported and steps are taken to ensure that they receive attention.

Reference has been made more specifically to the Fire Offices' Committee (regarded as including the Fire Offices' Committee (Foreign) and the Consequential Loss Committee) and to the fire side of the business, because it is there that the benefits of the tariff system are most clearly seen, but, as indicated, the comments apply in principle also to the circumstances of other branches of insurance

WORKMEN'S COMPENSATION

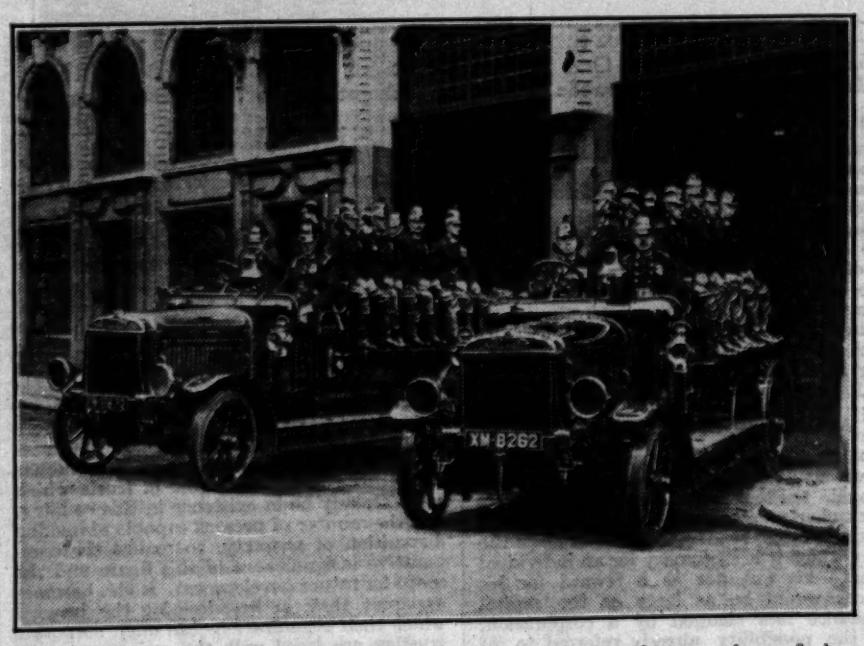
For instance, the Accident Offices' Association—which was formed in 1906 owing to the unsatisfactory condition into which employers' liability business had fallen after the dissolution of the short-lived Accident Offices' Committee—operates in respect of experience and rates for workmen's compensation insurance on the same lines as the Fire Offices' Committee. It is the recognized authority and channel of communication between the Government and the offices in relation to this class of business. Through the placing of the business on a better basis the association has been of substantial benefit to the workmen themselves, and its services to the State have been publicly acknowledged in the House of Commons. For the last 15 years the association has exercised jurisdiction in respect of motor insurance business.

The Engineering Offices' Association and Live Stock Offices' Association also function in a parallel way in their respective spheres. The Liverpool Underwriters' Association, founded in 1802, and the Institute of London Underwriters, established 82 years later, have administrative and controlling activities, but are not mainly rate-making associations. Similarly, the Life Offices' Association, established in 1889, and the Associated Scottish Life Offices, founded in 1840, do not fix premiums but rather serve to co-ordinate views, practice, and action. In all matters affecting the particular branch of business concerned these organizations speak authoritatively. Their existence is found to be increasingly desirable in the public interest, and essential, not only to the maintenance of the prestige of the offices, but to the proper conduct of the different sections of the business.

The respective bodies, with the Fire Offices' Committee leading the way, labour worthily in many directions other than those alluded to. Reference may be made, for instance, to the value of standardization of practice, *e.g.*, as regards uniformity of policy conditions and clauses, resulting in great convenience to firms insured with a number of tariff offices.

In a word, the value of insurance is rendered the more secure and confirmed to the community by its administration under the conditions furnished by tariff organization, which is, in a measure, the application of insurance to insurance.

A CHURCH FIRE.—The interior of the Rockefeller Baptist Church, New York, after the fire which cost the insurance companies over £350,000. It is referred to in the article on Insurance Oversea on page xx.



THE LONDON SALVAGE CORPS.—Two of the modern tenders of the London Salvage Corps outside the headquarters in Watling-street. The Corps is maintained in London and other chief cities by the fire insurance companies.

LOSS OF PROFITS AFTER FIRE

POLICIES AS SAFEGUARDS

(By D. W. Wood)

The disastrous effects of a fire are not to be measured by the actual value of the property destroyed. The results are more far-reaching, not only to the owner of the property, but to the community as a whole. The majority of trading concerns take the wise precaution of effecting sufficient ordinary fire insurance so that, in the event of fire, they are indemnified against loss of capital. Such insurance, however, does not provide for the consequential loss which invariably follows a fire. Moreover, a comparatively small fire may very seriously affect the finances of an undertaking.

The insurance world, realizing the necessity for meeting such contingencies, about 70 years ago devised a method whereby the insufficiency of the ordinary fire policy could be partially met. This was effected by means of an "Excess" policy—*i.e.*, in the event of fire the company granting this special form of insurance would pay a predetermined percentage of the amount paid under the ordinary fire policy. Such a policy does not give adequate protection, as the actual trading loss may have little relation to the amount of the damage caused by the fire. Two simple illustrations will make this clear. The destruction of an engine house at a mill, although a relatively small fire in itself, might result in a very serious loss of trade by causing a stoppage of the entire factory; or a fire in a warehouse might cause a considerable amount of fire damage, but a small loss of trade, as the goods might easily be replaced. On the other hand, the insured might stand to gain from a fire, so the companies did not view an insurance of this kind with favour, as the fundamental principle of all fire insurance—*i.e.*, indemnity—was vitiated.

PROFITS AND STANDING CHARGES

Nearly 30 years ago the present system was devised, and this, with little variation, is the system now universally adopted by all insurance companies. The primary object is to compensate the insured for financial loss caused by the capital which has been invested in the business becoming for a time unproductive in consequence of a fire. The term "profits" includes both "net profit" and "standing charges" and an insurance can be obtained that will cover either or both, the latter being the more usual. "Standing charges" under the policy are the fixed expenses of the business the payment of which has to be made, even though the works are wholly or partially stopped, and generally comprise rent, rates, and taxes; interest on debentures and/or borrowed capital or bank charges; salaries and wages to permanent staff and skilled employees; directors' fees; auditors' fees, advertising and insurance premiums. The wisdom of including these liabilities must be apparent, although any may be omitted, if desired, or others added. "Net profit" is usually understood to mean the profit resulting from the trading of the insured in respect of the business in the premises after proper provision has been made for all fixed and other charges, including depreciation. It is practically the balance of the profit and loss account.

The insurance companies appreciate that it is frequently advisable for a firm to incur additional expenses after a fire in order that the trading returns may be kept up, and provision is accordingly made in the policy for increased working expenses. These increased working expenses may include the rent of temporary premises, the hire of machinery, special advertising, the additional cost of raw materials, or the cost of extra labour, including overtime and night work. Monthly payments on account will be made by the companies if required.

PERIOD OF INDEMNITY

The sum insured must represent the estimated total annual figures of the included items, although the insurance may have been restricted to cover the loss during a shorter period. This period is termed the "period of indemnity," and varies for longer or shorter periods according to the exigencies of the particular business, and in the same way the premium charged is also adjusted.

As a result of a fire there will be a diminution in turnover, output, or whatever standard is most applicable to the industry, and any reduction in this standard denotes a corresponding reduction in profits. Therefore the reduction of this standard as a result of fire correctly measures the consequential loss sustained. Turnover is generally used for trading businesses; output (in tons, gallons, sacks, yards, or some other unit) for manufacturing concerns, while in some cases productive wages may be the more suitable basis. Comparison on this basis is made with the figures of the corresponding period in the previous year, or with the average of several years. Allowance is made for any variation in the insured's business due to any special circumstances, such as a strike.

One condition of all consequential loss policies is that the property is insured against destruction or damage by fire, and no claim is paid until liability for the fire damage has been admitted.

This class of insurance should appeal to the whole trading community—manufacturers, wharfingers, furniture depository keepers, shopkeepers, school proprietors and people concerned in such enterprises, theatres, laundries, gas and electricity undertakings, and waterworks.

TRUSTEES AND EXECUTORS

WORK OF ASSURANCE CORPORATIONS

RAPID EXPANSION

(By C. J. Mackenzie-Grieve)

The remarkable growth of corporate trustee business in this country and elsewhere in recent years can hardly have escaped public notice. It is common knowledge that certain of the oldest established insurance corporations which initiated the movement in this country have built up over a number of years special organizations to deal with this class of work. These, with the Public Trustee and the banks, now figure prominently at the head of what may be called the "corporate trustee movement" in England, the development of which is likely to proceed apace. It may be interesting to review briefly the course of this development.

Before the beginning of the present century certain ecclesiastical bodies were known to have undertaken the management of estates, and to have acted in other fiduciary capacities, but it was not until the later nineties that a number of business institutions took up the work. Two of the first public companies to set up trustee organizations were the Trustees, Executors, and Securities Corporation, Limited, and the Law Guarantee Trust and Accident Society, an office founded, as its title would suggest, under considerable legal auspices. Unfortunately, after about 10 years, the latter society went into liquidation, mainly owing to the fact that its guarantee business had been, perhaps unwisely, over-developed.

EFFICIENCY AND SECURITY

In 1901 the Royal Exchange Assurance, one of the old-established insurance corporations in England, was authorized by a special Act of Parliament "to transact any business ordinarily known as trustee and executorship business," thereby laying the foundation of its present vast trustee organization. Gradually a system designed to give the maximum amount of efficiency and security was evolved and to some extent may be considered to have become the model on which other corporate institutions subsequently entering the field have based their operations.

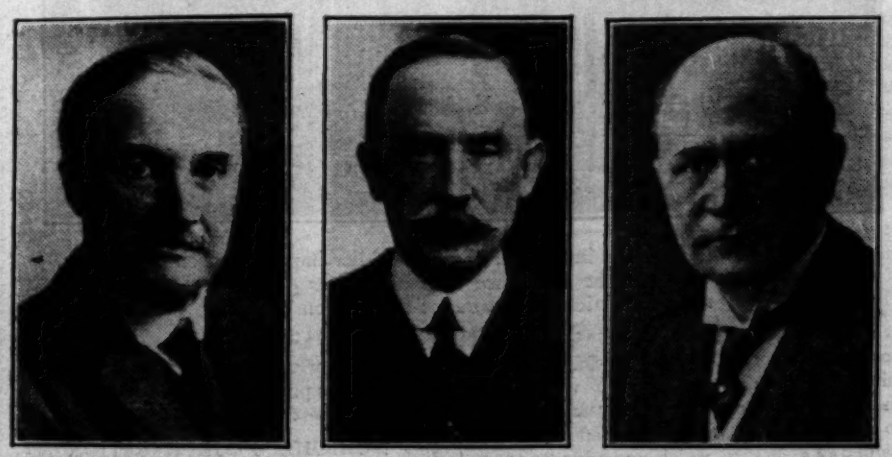
One important advantage of the corporate trustee over the individual trustee was emphasized at a very early stage through the failure of the Law Guarantee Trust and Accident Society, in that it definitely established the fact that trust funds held by a corporate body could not be attached by its creditors. In this particular case the directors of the Royal Exchange Assurance offered to take over all the trusts administered by the Law Guarantee Trust and Accident Society, numbering between 30 and 40, provided that the beneficiaries, and those having the power of appointment of new trustees, were prepared to fall in with the suggestion. Actually about two-thirds of that number were so transferred, the trust funds remaining in all cases intact.

THE CUSTODIAN TRUSTEE ACT

Not long after this event the "Office of the Public Trustee" was constituted by an Act of Parliament known as the Public Trustee Act, 1906, and shortly afterwards a further Act known as the Custodian Trustee Act brought into being a new form of trusteeship, by which a corporate body could be appointed to act as a custodian trustee under the direction of the managing trustee, or trustees, for the purpose of holding the trust funds in safe custody and generally acting in accordance with the managing trustee's instructions. The corporate body had, in the first place, to obtain authority to act in this capacity in the form of a licence from the Public Trustee. With that authority the custodian trustee was at liberty to accept the appointment and to charge a fee for its services, provided that such charges were not in excess of those of the Public Trustee. Later, the necessity for a licence was withdrawn, but other restrictions as to the standing and financial resources of the corporate institution were substituted in its place. Thus the activities of corporate trustees began at that time to receive official recognition, and there is no doubt that the foundation of the Public Trustee Office gave a great stimulus to the corporate trustee movement in general, with the result that at the present day the number of trusts administered by corporate trustees is believed to have reached a total of approximately 40,000.

The rapid progress so far achieved is striking evidence that the corporate trustee movement has received the enthusiastic support of the public, and, indeed, there can be little doubt that from the point of view of a beneficiary, or of a testator or settlor, the corporate trustee is able to offer countless advantages over the private trustee. In the first place, absolute safety is ensured for trust funds, the general assets of the trustee corporation standing as security for the proper administration of each individual trust in its hands. Any shortcomings on the part of a private trustee, on the other hand, must almost inevitably result in loss to the estate he administers, for the unfortunate beneficiaries usually have no redress, and in many cases may be loth to take action against one who has given his services gratuitously. Then, again, continuity in a trusteeship can only be assured by appointing a corporate trustee. Every change of trustee means heavy expense to a trust estate, and few private trustees, in any case, have the time or the ability to undertake all their trustee duties personally, being obliged to delegate the work to agents and others, with the result that further expense is incurred, and the estate suffers throughout from a disjointed administration.

A corporate trustee is readily accessible at all times and may be consulted on any trust matters at the shortest notice, whereas



Mr. F. Norie-Miller, general manager of the General Accident, Fire and Life Assurance Corporation; Mr. P. Hargreaves (centre), the chairman of Lloyd's; and Sir Edward Mountain, chairman and managing director of the Eagle, Star, and British Dominions Insurance Company.

with a private trustee urgent affairs requiring immediate attention often have to be delayed owing to his absence or indisposition. It is also evident that a corporation must be in a better position to deal with the detailed clerical work which a trust involves, such as the keeping of books, preparation of accounts and income-tax returns, the collection of dividends and rentals, and, particularly, the supervision of investments, than even the most capable and business-like of private trustees. Most estates in the hands of private trustees may, for the sake of security, have to be invested in gilt-edged investments whether or not the low income yield so obtained is in the best interests of the beneficiaries, while a corporate trustee can safely be entrusted with much wider investment powers, and there need be no misgiving that any such discretionary powers will not be wisely exercised. Consequently, a corporate trustee is, in most cases, enabled to adjust its investment policy to meet the individual requirements of each trust.

One of the most essential qualifications of a trustee is impartiality, and it is for this reason that insurance companies are, perhaps, more suited to undertake this work than any other class of institution. Such a body, while offering all the advantages of business management, has no other interests in its clients' affairs which might conflict with its duties as trustee, and is, therefore, able to bring an entirely independent mind to bear on all questions which may arise.

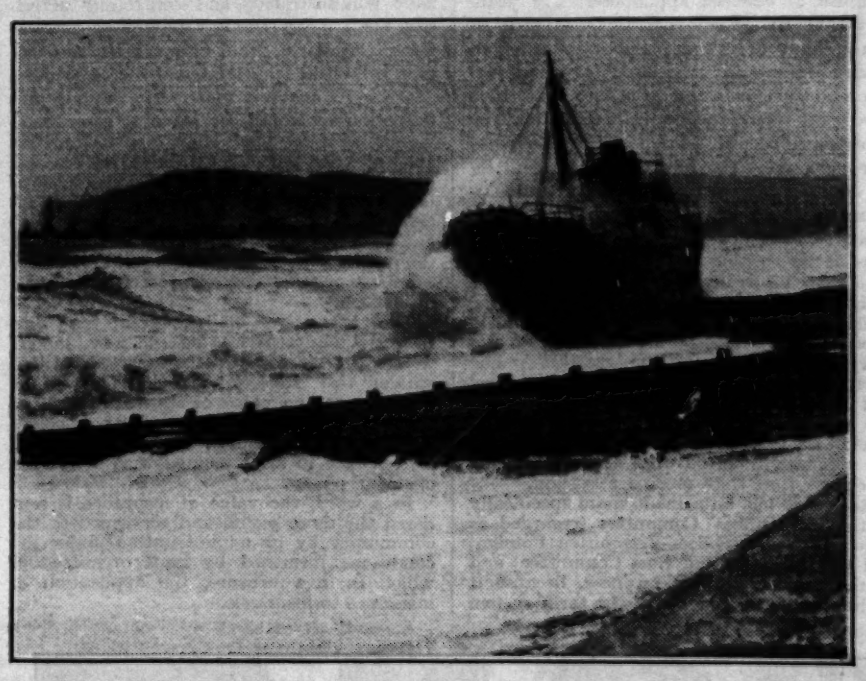
A QUESTION OF ECONOMY

On the question of economy the corporate trustee again has the advantage over the personal trustee more often than not, for its charges are small for the work done and the services rendered. In most cases the legacy which it is customary for an individual to leave his executor as a reward for his services would be as large as the capital acceptance fees charged by a corporation, and the possibility already referred to of heavy expense being incurred on the death or retirement of a trustee is eliminated once and for all by the appointment of a corporation in the first instance. The general economies resulting from efficient administration and constant attention throughout a trusteeship must also be considerable.

Many other instances might be quoted if space permitted, but those already mentioned are perhaps the principal advantages of the corporate trustees over the individual, and should be sufficient to remove any doubts as to their comparative merits. It is sometimes said that a corporate trustee has no soul, and that its administration of a trust must, therefore, lack the sympathetic treatment which would be obtained by appointing a personal friend of the family. That this idea is fallacious has been proved in practice over and over again. In the first place, it is the custom of most institutions to employ the family lawyer as trust solicitor (except where specifically instructed to the contrary) so that his knowledge of the more intimate matters connected with the trust may be utilized to the best advantage. Secondly, it is always possible for a member or friend of the family to act as executor or trustee jointly with a corporation, and most institutions welcome this form of appointment. In any case a corporation, if given reasonably wide discretionary powers, can be every whit as considerate as an individual in its relations with its beneficiaries.

FUTURE OF THE MOVEMENT

The reasons, therefore, for the remarkable development of the corporate trustee idea are not hard to find, and there can be little doubt that the public must ultimately realize that no single person or group of persons can possibly possess all the requisite qualities necessary for the proper administration of a trust. Indeed, it seems safe to say that in the course of time the private trustee may become almost non-existent (except, possibly, where appointed to act in conjunction with a corporation) to the great relief, no doubt, of many who would otherwise have to shoulder the administration of their friends' affairs. This is, however, looking very far ahead, for although the progress of the corporate trustee movement during the last quarter of a century is certainly extraordinary, the great majority of persons in this country are still unaware of the many benefits which these institutions can offer. It was estimated above that the number of trusts in the hands of corporate trustees is probably in the region of 40,000, and though this figure may have seemed a little startling to those who were not aware of the activity of certain business institutions in this particular sphere, one has only to consider the number of trusts which must already be in existence in this country, and the number of persons capable of making disposition of property, to realize the comparative insignificance of this figure and the scope for future development. It also becomes apparent that, in broadcasting the benefits which their organizations can offer, corporate trustees are faced with the serious responsibility of creating machinery worthy of the duties which they will be called upon to fulfil.



SHIPPING LOSSES.—One of the victims of last winter's gales. The Rotterdam steamer Merwede ashore at Bishopstone, on the Sussex Coast.

GUARANTEES OF FIDELITY

BONDS FOR OFFICIALS AND STAFFS

(FROM A CORRESPONDENT)

There is a resemblance between the trustee and executor business conducted by some of the leading insurance companies and the issue of fidelity guarantee policies and bonds. In each case the insurance company takes the place of a private individual. Many commercial appointments involving the handling of money or the custody of securities are dependent on a guarantee of fidelity, and in such circumstances an applicant for a post, although of the highest character, may well hesitate to ask a friend or relation to act as surety for him; and, as a matter of fact, personal suretyships are now not generally accepted by employers.

Such guarantees are issued by most insurance companies as a regular feature of the business transacted by their general or miscellaneous insurance departments; but there are companies specially formed to specialize in this type of business, some of which are now linked up with large composite offices. It is a form of insurance, and in this respect differs from trustee and executor business, which promotes only indirectly the work of the insurance departments.

FACTORS AFFECTING PREMIUMS

Fidelity guarantee policies and bonds may be either individual or collective; when the policy or bond is individual it is applicable to one employee only, whereas collective insurances cover the whole of a staff.

The proposal form contains questions designed to place the insurance company in possession of information as to the amount of the guarantee required, the nature of the appointment, and the manner in which the applicant for the guarantee has been previously employed for a period of years. The premium depends on the responsibilities of the position, the amount of money passing through the hands of persons to be guaranteed, and the system of supervision or check which will be in force. For the purpose of securing information on this subject the company issues a special form to the employers. When collective policies are contemplated, the names of those who are to be guaranteed, and the amount for which they are to be covered, are set out in a schedule incorporated in the policies, and they can be adjusted to cover changes in the staff during the course of the year.

Good faith is of the essence of all insurance contracts, and obviously this is at least as important in proposals for financial guarantees as in other forms of insurance in which the moral hazard has to be considered. An insurance company would naturally hesitate to accept the risk of dishonesty in the case of an individual whose record was unsatisfactory, and in that attitude it would be influenced by the same considerations which would weigh with a private person who was asked to act as surety. The underwriter has also to take into account the possibility of a financial lapse on the part of an individual whose record so far had been unimpeachable, and would therefore consider such points as the proposed financial responsibility, the rate of remuneration, and the general standing of the proposer. The questions in the proposal form for individual applicants are, however, generally such as an employee with a clean record need not hesitate to answer. As a rule the liability of the office is confined to a loss incurred during the actual period of the policy and to one discovered during its currency or within six months of its termination or of the cessation of the employment. Policies are also granted to cover contingencies, such as might arise through the loss of important documents like title deeds, and to provide indemnities needed through defects in title and the disappearance of beneficiaries under wills.

BONDS FOR ADMINISTRATORS

Bonds are issued to the Principal Probate Registry guaranteeing individuals who act as administrators of the estates of persons who have died intestate, or who have made a will without appointing an executor. Personal guarantees are still accepted, but in such cases two sureties are required for twice the value of the estate. It will be appreciated that persons who may be called upon to act in this capacity may be as unwilling to ask friends to act for them as the friends may be reluctant either to provide the guarantees or to decline to do so.

The bonds of a considerable number of insurance companies are accepted by the Registry, one bond only usually being required in connexion with the administration of each estate. The premium is based on the amount of the guarantee, which represents twice the value of the estate.

Bonds are also issued to the Board of Trade guaranteeing official receivers, trustees, special managers in bankruptcy, and liquidators under the Companies Act, who are required to furnish a guarantee in connexion with such appointments. Guarantees are issued to the Inland Revenue authorities in respect of the appointment of tax collectors, and also to H.M. Customs for the due accounting for duties imposed by law on certain merchandise.

The amount of the business undertaken by the insurance companies in respect of guarantees or bonds of the character described is now very large, and to a great extent the rates of premium, which are very moderate, are standardized. The transaction of this class of business by the companies has indeed almost displaced private suretyships.

MARINE PRACTICE CRITICIZED

EXAMINATION OF EXPERIENCE

THE CASE FOR STANDARD RATES

(FROM A SPECIAL CORRESPONDENT.)

What is wrong with marine insurance? The persistently bad results for the past six or seven years indicate that there is something fundamentally wrong with the methods of assessing rates, quite apart from the undercutting caused by the increased number of insurers coinciding with a decreasing amount of business. There have been innumerable conferences and committees; various increases in rates have been arranged and solemn pacts have been made—but not always kept—not to quote under the agreed rates, but the improvement has only alleviated the symptoms without curing the disease, which is organic and not functional, and underlying it all there is a reluctance to recognize that the business in which we are engaged is insurance.

Insurance may be defined as the cooperation of a body of individuals, who are all subject to certain risks, to spread the losses evenly over the whole body in order to avoid inconveniently large individual losses. Yet the usual reason for reducing an individual rate is that the broker pointed out that there had been no losses in the previous year. Such an excuse is rank heresy in the mouth of an insurance man, for it sins against the very elements of insurance. There will be no health in the business until the proper principles of insurance are employed to adjust rates and proper standards of rates set up so that fair premiums may be charged—fair, that is, to insurer and insured. It is certain that while most shipowners are paying too little for their cover some are paying too much, owing to lack of the proper standards with which to measure the risk. It is the object of this article to examine the possibility of constructing standard rates for standard risks.

THE HULL RISK

The most important class of risk, and that in which most money has been lost, is the hull risk, and this class was, therefore, the first to be investigated. At the outset the writer was faced with what appeared to be an infinity of risks, but a little patience revealed the fact that, for the most part, they resolved themselves into deviations from a standard, and that this standard was the Institute Time Clauses. A very considerable body of data was available, and an intensive analysis of this class was made, the years selected for examination being 1923, 1924, and 1925. These years were normal so far as losses were concerned and it was possible to ascertain practically the whole of the losses for those years of account.

An examination of the Institute Time Clauses showed that the losses could be grouped into two main classes.

The first, which may be broadly classed as total loss, had a fixed value dependent on the value of the vessel. The second class constitutes the remainder of the loses and are here described as "other risks": these had no fixed value and were independent of the value of the vessel. The first class of risk is properly assessed as a percentage of the value, but the second can be so assessed only if the damage and the cost of repairing such damage rise and fall in the same ratio as the rise and fall in the value of the vessel.

Having stated this simple basis, the reason for the disastrous experience is quite evident. For many years before 1914 there had been no violent changes either in values or in the cost of repairs, and the ratio between the total loss risk and the "other risks" had not altered. The premiums, by long experience, had been adjusted to this ratio, and a profitable business resulted. During the War period the question of adjustment of premiums to risk did not arise, because the increase in values, accompanied by the increase in rates, masked the increase in the cost of repairs.

VALUES AND PREMIUMS

The close of the War saw the beginning of the general decline in values which continued right down to 1926. The cost of repairs, however, did not vary to the same extent and the ratio between the "total loss risk" and the "other risks" was therefore constantly changing. Nevertheless, the underwriting practice of quoting premiums as a percentage on the value remained unchanged all through this period. The effect of this is shown by the following examples which are typical:—

It is true that during the period covered by these examples, there has been some reduction in the cost of "other risks," but can it be seriously contended that this reduction is properly represented by a reduction of nearly 70 per cent. in the premiums? Yet this is what has happened. Taking the total loss premium as, say, 1 per cent. of the value, the balance remaining for "other risks" in example A in 1921 was £42,397 (*i.e.*, £60,897-£18,500) and in 1928 £13,763 (*i.e.*, £19,713-£5,950). The conclusion to be drawn from these figures is that either the premium for 1921 was a gross overcharge (and there is nothing to show this), or that for 1928 a gross undercharge. The other examples show the same features.

General considerations, apart from the examples given, prove that where there is more than one risk involved a premium assessed as a percentage of value cannot be satisfactory, and in constructing standard rates the premiums for each separate risk must be calculated. Preliminary investigation showed that the "total loss risk" was a function of the value, and also varied with the tonnage, while the "other risks" were merely a function of the tonnage. In order, therefore, to form standard rates the vessels were grouped according to tonnage and for each tonnage group the "total loss" claims and the "other risks" claims were extracted separately; constructive total loss claims were included with "total loss." Also, in order that the data should be as homogeneous as possible, only steamers under the British Flag underwritten subject to "Institute Time Clauses" were dealt with. The results are given in Tables II. and III.

TABLE II.—"OTHER RISKS" EXPERIENCE, 1923, 1924, 1925.

Tonnage Group	No. of Vessels	Total tonnage exposed to risk	Actual Claims	Claims per ton exposed to risk
1- 499 ..	484	127,506	327,242	2·566
500- 999 ..	516	336,168	460,761	1·371
1,000- 1,499 ..	316	345,578	303,503	·878
1,500- 2,499 ..	549	962,585	571,992	·594
2,500- 3,499 ..	346	893,613	435,818	·487
3,500- 4,499 ..	562	1,992,722	1,016,872	·510
4,500- 5,499 ..	354	1,642,242	517,683	·315
5,500- 6,499 ..	82	469,260	161,442	·344
6,500- 7,499 ..	33	196,375	43,555	·222
7,500- 8,499 ..	5	33,678	15,806	·469

TABLE III.—"TOTAL LOSS" RISK EXPERIENCE, 1923, 1924, 1925

Tonnage Group	No. of vessels	Total value exposed to risk	Actual Claims	Claim per cent. of value exposed to risk
1- 499 ..	484	3,023,751	48,672	1·610
500- 999 ..	516	5,546,391	99,000	1·785
1,000- 1,499 ..	316	5,593,318	68,103	1·218
1,500- 2,499 ..	549	13,033,946	99,300	·762
2,500- 3,499 ..	346	9,718,734	25,000	·257
3,500- 4,499 ..	562	19,215,121	148,141	·771
4,500- 5,499 ..	354	18,205,875	279,636	1·533
5,500- 6,499 ..	82	5,629,836	57,708	1·025
6,500- 7,499 ..	33	2,268,183	—	—
7,500- 8,499 ..	5	298,892	—	—

These results are decidedly instructive, for they show that the cost per ton of the "other risks" is very heavy for small vessels and decreases steadily as the size of the vessel increases. The same feature appears with the "total loss risk," although not to the same extent. The figures for vessels under 500 tons, in particular, are striking, and, expressed as a percentage of the value for which they were insured, amount to 12·4 per cent. of such value.

A TABLE OF RATES

With this material a set of standard net premiums for vessels of intermediate tonnage was constructed and graduated to remove irregularities. These are given in Table IV.:—

TABLE IV.—INSTITUTE TIME CLAUSES. STEAMERS. BRITISH FLAG

Tonnage	Net Rates "Other risks" per ton	Net Rates Total Loss % of value	Tonnage	Net Rates "Other risks" per ton	Net Rates Total Loss % of value
200	2·957	1·857	4,700	·419	·833
300	2·677	1·796	4,800	·414	·827
400	2·350	1·755	4,900	·408	·820
500	2·065	1·714	5,000	·391	·814
600	1·920	1·672	5,100	·386	·809
700	1·574	1·630	5,200	·383	·803
800	1·435	1·588	5,300	·381	·798
900	1·294	1·546	5,400	·380	·792
1,000	1·172	1·504	5,500	·379	·788
1,100	1·067	1·462	5,600	·379	·783
1,200	·991	1·406	5,700	·376	·778
1,300	·907	1·361	5,800	·373	·773
1,400	·857	1·321	5,900	·370	·769
1,500	·829	1·286	6,000	·367	·764
1,600	·809	1·255	6,100	·365	·760
1,700	·784	1·225	6,200	·362	·756
1,800	·753	1·198	6,300	·360	·752
1,900	·729	1·175	6,400	·359	·749
2,000	·710	1·154	6,500	·358	·746
2,100	·692	1·135	6,600	·356	·743
2,200	·675	1·116	6,700	·355	·740
2,300	·658	1·097	6,800	·352	·737
2,400	·645	1·079	6,900	·251	·734
2,500	·632	1·062	7,000	·349	·730
2,600	·619	1·046	7,100	·349	·727
2,700	·606	1·031	7,200	·348	·724
2,800	·593	1·016	7,300	·348	·721
2,900	·578	1·003	7,400	·348	·718
3,000	·564	·990	7,500	·348	·715
3,100	·551	·977	7,600	·348	·712
3,200	·538	·965	7,700	·348	·709
3,300	·528	·953	7,800	·348	·706
3,400	·519	·942	7,900	·348	·704
3,500	·512	·932	8,000	·348	·702
3,600	·504	·922	8,100	·347	·700
3,700	·496	·912	8,200	·347	·698
3,800	·485	·903	8,300	·347	·696
3,900	·475	·894	8,400	·347	·694
4,000	·465	·885	8,500	·347	·693
4,100	·455	·877	8,600	·347	·691
4,200	·447	·869	8,700	·347	·690
4,300	·440	·861	8,800	·347	·689
4,400	·435	·854	8,900	·347	·688
4,500	·429	·847	9,000	·347	·686
4,600	·424	·840			

In addition to the actual claims the insurer has to pay brokerage and office expenses, and is also entitled to a margin for contingencies and profit; the net premiums have, therefore, been loaded 42.85 per cent. to provide a margin of 30 per cent. on the premium to be charged to the insurer. This allows 14½ per cent. brokerage, 8 per cent. for expenses, including commission in excess of the 14½% brokerage, and 7½ per cent. for contingencies and profits. The following examples show the method of calculating premiums on these standard rates:—

Tonnage of Vessel	Value	Premium % of value	Net premium for total loss	Premium per ton	Net premium for other risks	Total premium	Prem. to be charged net prem. ÷ by ·7
	£		£		£	£	£
2,000	35,000	1·154	404	·719	1,420	1,824	2,606
2,000	25,000	1·154	288	·710	1,420	1,708	2,440
2,000	15,000	1·154	173	·710	1,420	1,593	2,276
5,000	80,000	·814	651	·391	1,955	2,606	3,723
5,000	60,000	·814	488	·391	1,955	2,443	3,490
5,000	40,000	·814	326	·391	1,955	2,281	3,259

It is suggested that these premiums are proper rates for the insurer to charge and the insured to pay. Based as they are on actual experience they would yield, over a period of years, a fair return to the insurer for the risks undertaken.

THE TEST OF 1926

Those who are accustomed to base rates on a percentage of value may feel some lack of confidence as to the way in which the suggested basis would work in practice. In order to put the new rates to this test they have been applied to similar business written in 1926, which, of course, was quite distinct from the business from which the rates were constructed—namely, that written during the years 1923, 1924, and 1925. The year 1926 was taken in order to obtain losses as complete as possible. The results are shown in Table V. It is generally recognized that 1926 was above the normal for losses, yet the claims for which the premiums provided—namely, £1,685,219—were only £167,568 below the actual claims of £1,852,787, and the difference was covered by the margin of £180,559 in the premium. In addition, interest was earned on the premiums, and if as a rough estimate this be taken as one year's interest at 5% on the premiums after deduction of brokerage and expenses, the 1926 account could have been closed with a profit to the insurers of £106,280.

The difference between the suggested rates given above and those actually charged for this business in 1926 is strikingly shown by the following tabular statement:—

—	Suggested Premium Rates	Actual Rates Charged
	£	£
Premium	2,407,455	1,421,379
Less brokerage and expenses	541,677	319,810
	1,865,778	1,101,569
Add interest	93,289	55,078
Net income	1,959,067	1,156,647
Losses	1,852,787	1,852,787
	Profit +106,280	Loss − 696,140

It may be objected that, in individual groups, the comparison of the unloaded premiums with the losses shows irregularities. This is quite normal. It is not claimed that in any one year the experience will be reproduced, but over a series of years the unloaded premiums and the losses will be approximately equal provided that no abnormal change occurs. The rates would, of course, require modifications if the cost of repairs increased or decreased or the policy conditions were made more or less stringent. Apart from such alterations it is contended that these rates represent those which must be charged for average risks if marine insurance is to be conducted on a business footing.

Since 1926 there have been various attempts to increase hull rates, and in order to test the adequacy of such increases particulars have been extracted of British steamers underwritten subject to the Institute Time Clauses both in 1926 and 1929. In Table VI. the premiums charged in each of these years are compared with those required on the suggested standard basis. It will be seen that, although there has been an appreciable increase, the rates charged are still inadequate, and the necessity for reconsideration of the whole question of marine rates is still urgent.

The above analysis proves that under the present conditions the practice of quoting rates as a percentage of value can be right only by accident, and that it is essential to consider the actual amount of premium as distinct from the percentage. What is the remedy? It is obvious that the only remedy is for those engaged in marine insurance to pool their experience and construct standard rates for all the main risks. The volume of data furnished by such a combined experience would be sufficient to enable minor risks to be more accurately assessed than the data at the disposal of the writer permits.

ASSESSMENT OF VARIATIONS

Pending such an investigation the standard rates given above form a much more trustworthy basis than any now in existence on which to assess variations from the standard risk. To illustrate this application of the rates let us consider a variation frequently met with—*i.e.*, the provision that only losses in excess of a certain figure are to be borne by the insurer. It is suggested that such a case could be met by means of an analysis of the claims experience according to the amount of claim. This analysis should be undertaken in tonnage groups, and an adjustment could then be applied to the standard rate of each group in the following manner. If the limit of the amount to be borne by the insured is, say, £500 it would be possible to determine from the analysis what proportion of the total claims of a group represents claims in excess of £500. The rate for "other risks" should then be reduced by this proportion; the "total loss" rate would, of course, remain unaltered. In the absence of rates based on the actual experience of risks of this type such a method gives a means of adapting the material available in order to assess the risk. This is one example of the application of the premiums to variations from the standard taken, and other adaptations can be evolved to meet particular cases.

It is not suggested that the premiums here given should be rigidly applied in every case where business is written on the conditions of the Institute Time Clauses. They are, of course, average premiums, and there remains an almost infinite scope for the underwriter to give effect to special circumstances, such, for instance, as the reputation of the owner or the character of the individual vessel or fleet. It is contended, however, that, after making allowance for such circumstances, the average premiums received over the whole business should not be less than those which are provided by the suggested rates.

This article is mainly concerned with investigations which have been made regarding hull experience, and nothing has yet been written concerning cargo. The latter class of business has not so far been investigated to the same extent, but the principle of analysing the experience can be applied with the same advantages. The commodity and conditions should form the basis of any inquiry into cargo experience, and account should also be taken of the route and the flag. An investigation has been made, and, as an illustration, figures are given below for two commodities deduced from the experience of the years 1921 to 1927 inclusive. These figures relate only to shipments from the West Indies in the case of sugar, and to shipments from South America (East Coast) in the case of meat.

Commodity	Conditions	Sum assured	Claims	Rate per cent.
Sugar ..	W.A.	£7,421,763	£28,016	·390
Meat ..	F.P.A.	3,983,053	11,097	·279

These rates were loaded in the same way as was suggested for hull premiums and the results compared with the average rates charged for the business investigated.

The figures are given below:—

Commodity	Conditions	Loaded Experience Rate per cent.	Average Rate per cent. Received
Sugar	W.A.	·357	·356
Meat	F.P.A.	·399	·404

There is obviously a considerable difference between the average rate being charged for sugar and that shown to be necessary by experience. Although the two rates are very similar in the case of meat, an examination of the data revealed the fact that not a single total loss occurred in the experience from which the rate of ·399 was deduced. It seems not improbable, therefore, that the comparison would be far less favourable to the average rate charged for meat if a larger volume of data had been available for investigation. The examples certainly suggest that the methods of assessing cargo risks also require bringing into line with experience before it can be claimed that this class of business rests on a sound foundation.

TABLE I.—INSURED VALUES AND PREMIUMS CHARGED

Year	A Insured value	A Premium charged	A Percentage of value	B Insured value	B Premium charged	B Percentage of value	C Insured value	C Premium charged	C Percentage of value
1921 ..	1,850,000	60,897	3.29	665,000	21,984	3.31	—	—	—
1922 ..	1,089,000	35,847	3.29	469,000	14,103	3.01	—	—	—
1923 ..	650,400	20,854	3.21	378,500	10,795	2.85	1,200,000	20,520	1.71
1924 ..	634,400	2,0341	3.21	346,500	9,033	2.61	1,100,000	18,810	1.71
1925 ..	626,400	19,415	3.10	308,000	8,059	2.62	1,000,000	17,100	1.71
1926 ..	595,000	18,441	3.10	277,500	8,394	3.03	1,000,000	17,100	1.71
1927 ..	595,000	18,441	3.10	278,000	8,418	3.03	984,000	16,826	1.71
1928 ..	595,000	19,713	3.31	277,500	8,394	3.02	984,000	16,826	1.71

Examples A and B refer to two fleets which have been insured throughout the period 1921-1928, and only the values of those vessels which were insured in each of these years have been included. In Example C particulars are given of an individual vessel.

TABLE V.—COMPARISON OF EXPECTED LOSSES (I.E., UNLOADED PREMIUMS) WITH ACTUAL LOSSES. 1926 EXPERIENCE

Tonnage Group	Expected Losses Other Risks	Expected Losses Total Loss	Expected Losses Total	Actual Losses Other Risks	Actual Losses Total Loss	Actual Losses Total
	£	£	£	£	£	£
— 499	76,819	11,714	88,533	60,077	6,934	67,011
500— 999	118,785	23,259	142,044	99,123	11,054	110,177
1,000—1,499	89,101	22,264	111,365	114,539	43,397	157,936
1,500—2,499	204,283	48,161	252,444	248,030	91,087	339,117
2,500—3,499	158,954	29,186	188,140	182,748	36,026	218,774
3,500—4,499	327,961	61,926	389,887	463,202	39,913	503,115
4,500—5,499	311,700	72,553	384,253	302,856	—	302,856
5,500—6,499	74,517	19,045	93,562	90,921	31,962	122,883
6,500—7,499	19,973	4,338	24,311	27,027	—	27,027
7,500—8,499	5,603	1,807	7,410	3,891	—	3,891
8,500—9,499	2,808	462	3,270	—	—	—
Total	1,390,504	294,715	1,685,219	1,592,414	260,373	1,852,787

TABLE VI.—HULL AND MACHINERY. BRITISH STEAMERS. INSTITUTE TIME CLAUSES

Tonnage Group	1926 Value	1926 Premium Charged	1926 Premium Required	1929 Value	1929 Premium Charged	1929 Premium Required
	£	£	£	£	£	£
— 499	90,000	4,922·8	15,002·6	89,000	5,689·6	14,977·8
500— 999	199,500	10,238·6	28,940·0	194,500	15,003·9	28,754·0
1,000—1,499	250,500	10,429·6	23,597·8	234,850	15,083·5	23,256·3
1,500—2,499	746,600	33,826·3	64,026·8	691,150	46,298·7	63,053·1
2,500—3,499	664,000	28,526·0	59,127·6	631,500	35,060·8	58,612·0
3,500—4,499	1,081,000	52,297·9	95,105·2	1,049,500	68,870·9	84,696·8
4,500—5,499	2,362,500	88,262·3	131,832·3	2,057,900	101,785·4	125,550·7
5,500—6,499	1,208,000	40,182·5	59,443·8	1,218,500	48,080·9	62,698·1
6,500—7,499	330,000	11,475·0	16,814·0	324,000	12,731·2	16,750·0
7,500—8,499	75,000	2,812·5	4,907·5	75,000	3,097·5	4,907·5
8,500—9,499	75,000	2,812·5	5,196·4	75,000	3,097·5	5,196·4
Totals	7,082,100	285,786·0	493,994·0	6,640,900	354,819·9	488,452·7

COMPENSATION FOR WORKMEN

INDEMNITY OF EMPLOYERS

AGREEMENT WITH THE HOME OFFICE

(FROM A CORRESPONDENT)

One of the leading features of insurance business during the last 25 years has been the remarkably rapid development of the class of insurance known as workmen's compensation insurance, by means of which indemnity is furnished to an employer in respect of his liability to pay to his workmen, or their dependents, compensation for injuries sustained by the workmen in his service.

This feature is, however, to a large extent, merely reflected, as the development of such insurance has naturally followed in the wake of the legislation creating or extending the liability. A generation ago the question of an employer's liability, irrespective of any consideration of negligence, was a novel theme for conversation, but to-day it is a subject of vital concern to employers and employed universally, for almost every important country and many minor States now have their workmen's compensation laws, and employers find ready to hand, in insurance enterprise, facilities for protection against the responsibilities resting on them.

THE WORKMEN'S COMPENSATION ACT

In Great Britain the position is governed mainly by the Workmen's Compensation Act, 1925, which was a consolidating measure, and, in fact, few alterations have taken place in the statutory position since 1923, when the scale of compensation was increased. The Workmen's Compensation Act, 1926, merely rectified an oversight in the 1925 Act regarding the age limitation in connexion with the review of compensation in cases where the injury was sustained during minority, and three special schemes, the Metal Grinding Industry (Silicosis) Scheme, 1925, the Various Industries (Silicosis) Scheme, 1928, and the Sandstone Industry (Silicosis) Scheme, 1929, have been promulgated by the Secretary of State in pursuance of the powers conferred on him by section 47 of the 1925 Act. The object was to provide compensation by the employers of workmen in the specified industries involving exposure to silica dust and consequent risk of death or disablement from silicosis of the lungs.

The statistics of compensation compiled by the Home Office under the provisions of the Act relate mainly to the seven principal industries—*i.e.*, mines, quarries, railways, factories, docks, constructional work, and shipping—and in 1928, the latest year for which those statistics are available, there were 7,433,660 persons within the statutory provisions and employed in those seven industries, this figure representing a reduction of 11·4 per cent. as compared with the peak figure of 8,359,183 in 1919. In the same industries in 1928 compensation was paid in 464,220 cases, the total amount being £6,457,273 (the insurance cost to employers which, of course, includes commission, administration expenses, reserve for outstanding claims, medical and legal costs, &c., being £8,250,000), representing an increase of approximately 40 per cent. on the figure of £4,616,723 for 1919. Of the amount for 1928, 25·6 per cent. was paid by uninsured employers. About 12 per cent. of the total compensation related to fatal cases, the average amount paid being £283, compared with £209 in 1919 and £157 in 1910-1914. The total amount paid in 1928 in respect of all workmen's compensation under the Act was about £12,000,000.

The average cost of compensation per person employed was 17s. 4d. for the seven industries, varying from 8s. 8d. for factories (5,455,652 employees) to 64s. 1d. for mines (944,666 employees). The actual compensation paid was the equivalent of 3d. per ton of coal raised as regards the coalmining industry, 3.5d. per ton of shipping in the case of shipping, and for railways under 1d. per £1 of wages.

REBATES FOR EMPLOYERS

In respect of the underwriting results for 1928, employers in Great Britain insured with offices members of the Accident Offices' Association (the tariff organization regulating the conduct of workmen's compensation insurance in the United Kingdom so far as its members are concerned) became entitled, on the next renewal of their policies, to a rebate of 7.85 per cent. under the provisions of the agreement of May 24, 1893, between the Home Office and the association. The effect of this arrangement, which became operative in 1924, is that the experience of members of the Accident Offices' Association is taken in the aggregate for each year and rebates or excess charges are made on renewal to the extent, if any, to which the ratio of total losses to total premiums falls short of or exceeds an agreed percentage. This allowance was 60 per cent. for each of the years 1924, 1925, and 1926, and 62½ per cent. subsequently.

One result of the arrangement is that the offices cannot conjointly make more than a moderate profit, but, subject to that limitation, each office independently reaps the fruit of its own underwriting and of its efforts to effect economies. There is, however, restricted scope for economy in this class of business, substantial expenditure being necessarily involved in payment of commission and the creation and maintenance of the necessary organization for the analysis and collation of experience, rating of risks, underwriting business, adjustments of premiums, the issue and renewal of policies, and more especially the settlement of claims. Under any important workmen's compensation insurance an office must expect to receive claims constantly, and every claim must be promptly and skilfully investigated.

SETTLEMENT OF CLAIMS

The handling and liquidation of claims—the payments in connexion with which may continue for long periods—constitutes a prominent part of the work of an office underwriting workmen's compensation insurance, and it is opportune, therefore, to refer to the advantages which accrue to both employers and employees from the nature of the existing arrangements for the transaction of the business and the payment of the compensation. Clearly, any question of the liability of the employer or of the amount payable to his workman is most satisfactorily dealt with by an entirely independent, experienced, and unprejudiced intermediary, such as an insurance company, and this section of the work, which is frequently protracted owing to the duration of incapacity, is, under present conditions, preserved free from political influences or complications which it would be really impracticable to avoid under any State-administered scheme, while on the other hand harmonious relations between employer and employed can continue unaffected by any difficulties which may arise in claims settlements. This service—resulting from the detached position of the offices—in minimizing dissatisfaction and friction is of distinct value, particularly in the present phase of industrial relations, and its importance cannot be measured by the modest margin of profit, if any, which this class of business may now contingently yield.

THE EFFECT OF A GALE.—An insurance risk. The wreckage of a crane which was blown down during a gale last October in Southampton-row.

THE HOLMAN GREGORY COMMITTEE

Further, both employer and workman derive advantage from the circumstance that the insurance company, having frequently other important business associations with the employer, naturally seeks in its own interests to give the employer as little trouble as possible in connexion with his employees' claims. It happens, therefore, that *ex gratia* payments may often be made where, for instance, under the rigid methods of State administration no claim could be admitted. Subsequent experience has confirmed the sound conclusion arrived at by the Holman Gregory Committee in 1920 after ascertaining from witnesses whether insurance companies had, on the whole, dealt reasonably with employers and justly with workpeople, that:—

> Employers are satisfied with the way Insurance Companies have dealt with claims, and the payment of benefits by the insurance companies has, generally speaking, been prompt and satisfactory to the workmen.

That committee further recorded their view that:—

> The administration of a Workmen's Compensation Act necessarily involves many disputes of law and fact, and it is not desirable for the State to enter a sphere of administration involving disputes with workmen which frequently become the subject of litigation.

Abroad there is a great variety of operative enactments relating to the liability of employers to workmen, but an extensive acceptance of the principle. This is well illustrated in perhaps a negative way by the fact that at certain Chinese ports the European or American employers regard themselves as under a moral obligation to pay compensation to employees notwithstanding the absence of legal liability, and a special form of policy has been devised affording payment of compensation to employees who sustain vocational injuries.

Existing British legislation has generally been adopted as a model in the different parts of the Empire, any important changes being introduced usually on account of special circumstances.

A common feature of Continental legislation, which distinguishes it from the British enactments is that, under the latter, the same scale of compensation applies irrespective of whether the incapacity is temporary or permanent, whereas on the Continent differential scales not infrequently apply, the amount payable for permanent disablement being sometimes higher and sometimes lower than that for corresponding but temporary incapacity.

THE RISK OF TRAVEL.—The risk run by railway travellers is illustrated by this photograph of a railway accident. The record of British railways compares favourably with that of railways of other countries.

PERSONAL ACCIDENTS

INSURANCE AT LOW COST

SUPPLEMENT TO LIFE POLICIES

(By H. M. Gates)

It may not be generally known that insurance against personal accidents was first conceived as long ago as the year 1845, soon after the railways of this country had become established. In those far-off days it was considered a dangerous undertaking to travel by train, and so it was perhaps natural that the demand arose for insurance against this hazard. As time went on, however, wider cover was desired, so that accident insurance policies now cover accidents of every description. Policies can also be obtained to provide compensation in respect of specified diseases and in respect of sicknesses of every description.

In spite of the ever-increasing risk of accidents brought about by the continued growth in the use of mechanical traction, and the prominence given in the Press to official statistics showing the large number of accidents occurring in the streets of our cities, it is a fact that there is still a large number of people in these islands eligible for insurance who have neglected to insure against personal accidents. So far as motorists are concerned this may be partly due to the fact that a comprehensive motor insurance policy includes in the premium a benefit of £1,000 at death, £500 for the loss of two limbs or two eyes, and £250 for the loss of one limb or one eye, but it should be borne in mind that these benefits are payable only in respect of accident to the owner of the car, and then only when in, entering, or alighting from the vehicle.

TRAFFIC RISKS

It follows, therefore, that the owner of a motor-car injured by another motor vehicle, except when in this close proximity to his own car would not be in a position to receive this benefit; but even if it were payable, it is inconceivable that in the majority of cases such a sum would be adequate to the needs of the person injured. Apart from owners of motor-cars, there are hundreds of thousands of persons who ride as passengers in their friends' cars or in public service passenger-carrying vehicles. Not many give any serious thought to the risks they run and the consequences to themselves and their dependents if they suffer injury.

Many persons only consider it necessary to effect personal accident insurance for the reason that they engage in sports such as football, cricket, tennis, or other athletic exercise, but just as many accidents are met with while engaged in ordinary pursuits. No one is immune from meeting with an accident of some kind, yet while people insure their motor-cars and insure the fire risk connected with their dwellings and business premises, many neglect to insure themselves against the ever-increasing hazard of accidents. It has often been stated that provided life assurance has been effected there is no need to insure against personal accidents as well, but it has to be remembered that the amount of premium payable for an equivalent amount of life assurance is far in excess of that payable for accident insurance. While not neglecting, therefore, to insure for a reasonably adequate amount for life assurance, it is desirable to have an accident insurance policy in addition. The premium to insure £1,000 in respect of a fatal accident is the insignificant sum of £1 per annum. Even a policy to include a similar sum for loss of limbs or sight and the payment of £6 per week during the time the injured person is temporarily incapacitated, costs only £4 per annum.

TRAVEL BY AIR

The time is not far distant when travel by air on a considerable scale will be added to the perils of every-day life. The reader may say that he never intends to travel in an aeroplane or an airship, but he might be struck by one of these machines when he is not in a position to do anything to save himself from death or serious injury. To those, however, who, with far-seeing vision, realize that the time is fast approaching when travel by air will become almost a commonplace, it is essential that accident insurance should be effected. Take the man or woman who, for private or business reasons, desires to go to the Continent and back as quickly as possible. Insurance can be effected to cover the return trip for a premium of approximately £1 per £1,000 of insurance, and if the return journey is made on the same day the cost would be only 10s. Many readers have doubtless seen our airships crossing over our counties, and many saw the German airship a month ago. When it is realized that these vessels are constructed to carry from 100 to 200 passengers the developments taking place on these lines indicate the extent and radius of the use of air travel in the future.

Now that women are taking an active part in affairs of business and sport, they also should not neglect to provide against the contingency of disablement from accident. As many women are largely dependent upon their own earnings, it is essential that insurance should be effected, not perhaps so much to provide a substantial sum in the event of death—as is necessary in the case of the male bread-winner—but a sum to provide against permanent or temporary incapacity at least sufficient to make up for loss of earnings and to meet the medical expenses which have necessarily to be incurred during disablement.

PUBLIC LIABILITY

RISKS CONFRONTING BUSINESS MEN

VARIETY OF HAZARDS

(FROM A CORRESPONDENT)

A comprehensive branch of accident insurance is that which is commonly known as Public Liability Insurance. Every member of the community, whether in his business or private capacity, has a duty so to regulate his behaviour that he shall not cause injury to others or damage to their property. Any failure in this duty may render him liable to an action for damages. Insurance policies are issued covering liability for such negligence, and it should be remembered that an employer is responsible for the negligence of his servants when acting on behalf of their employer and within the scope of their authority. The standard definition of negligence is "the omission to do something which a reasonable man, guided by those considerations which ordinarily regulate the conduct of human affairs, would do, or the doing something which a prudent and reasonable man would not do," so that it will be seen that the circumstances in which liability may be incurred are many and various.

To the private individual the matter is perhaps not one of great seriousness, but in many businesses the risk is so serious that it is imprudent to ignore it, and this will perhaps be better appreciated when it is realized that the law places no limit upon the amount of damages for which a wrongdoer may become liable. There is, of course, a wide divergence in the degree of hazard as between business undertakings of different characters, ranging from the small retail tradesman, who may be liable for accidents occurring to persons visiting his shop, to, let us say, the promoters of large exhibitions which are visited by many thousands of people.

PUBLIC UTILITY COMPANIES

Concerns which supply public needs, such as gas and water, have, of course, a serious liability, as has been witnessed in recent months by one or two serious explosions of gas mains which, besides injuring many persons, caused much material damage and involved those responsible in substantial payments. The bursting of a water main, too, is a contingency which may cause much damage to property in the vicinity and necessitate the payment of heavy compensation.

Then, again, suppliers of food, whether wholesale or retail, may render themselves liable to large numbers of the public who may suffer ill effects from the consumption of food which has been negligently prepared or packed. Recent cases of ptomaine poisoning and botulism will be recalled in this connexion, and the risk is one which the proprietors of hotels and restaurants and those who are selling food in any form cannot afford to overlook.

School authorities are also among those to whom this class of insurance should be of particular interest. It is only a few weeks since a well-known school in the Midlands was mulcted in heavy damages by reason of a pupil being injured and disfigured through the falling upon her of a bottle of nitric acid. Most county councils and borough councils throughout the country do cover by insurance their liability to the children who are under their care, but private schools, grammar schools and colleges which exist in large numbers do not avail themselves to the same extent of the facilities offered by insurance. In many schools some, at any rate, of the pupils are of tender age and the degree of care expected from those who have charge of them is greater than it would be where those of maturer years are concerned. The Courts have held that an act which would not be blameworthy when dealing with an adult may well constitute negligence when the doer is concerned with a child.

PROPERTY OWNERS' LIABILITY

The ownership of house property involves the owners in some risk due to the possibility of injury to members of the public, including the tenants, through defects in the buildings. Accidents occur through falling slates and chimney pots as well as through internal defects, such as staircases and ceilings out of repair, and as the owner can relieve himself of his liability by the payment of a small premium he is unwise if he carries it himself.

Landowners, too, owe a duty to others who are legally upon their land, and it is an interesting fact that even trespassers have certain rights, though naturally the duty owed to them is not so great as in the case of those who are legitimately present.

There are some circumstances in which the occurrence of an accident resulting in injury to some person is in itself *prima facie* evidence of liability on the part of some other person. It has been said that "it is impossible to carry on the common affairs of life without doing various things which are more or less likely to cause loss or inconvenience to others or even which obviously tend that way, and this in such a manner that their tendency cannot be remedied by any means short of not acting at all," but if a man voluntarily acts in such a way as to be likely to injure his neighbours it is unnecessary for the injured person to prove negligence, there being a presumption of negligence from the mere fact of the accident. In these circumstances the Common Law maxim "Res Ipsa Loquitur" (the thing speaks for itself) applies, and it is for the defendant to rebut the presumption of negligence if he can. An instance of this was furnished by the case of a man

(*Continued at foot of next column*)

who, while walking along a street in Liverpool, suddenly received a barrel of flour upon his head from the upper window of a flour dealer's shop, the Court holding that the mere unexplained fact of the accident happening at all was evidence of negligence.

Among the many business undertakings which by their nature impose a liability are those of the proprietors of theatres, cinemas, and other places of entertainment which are visited by the public in large numbers, and builders who very often carry on their operations in close proximity to highways.

In all these cases relief can be obtained by insurance, the premiums naturally varying according to the degree of hazard attaching to the business carried on.

BURGLARIES AND THEFTS

DAYLIGHT RAIDS ON SHOPS

"ALL RISKS" POLICIES

(FROM A CORRESPONDENT)

Scientific insurance against the risks of theft and burglary is only about 40 years old, and it is thus one of the youngest forms of Insurance. It has now become highly important and has developed greatly within the last 10 years. While the sums paid in premiums by the public have increased very largely, so have the claims, and the margin of profit has become a slender one. The risks are generally included in the accident, miscellaneous, or general accounts of the insurance companies, and analyses of the results show that the average margin of profit is very low—between 2 and 3 per cent.

The business has grown because of the urgent need for it. A new era in the history of burglaries and thefts may, indeed, be said to have opened since the War. One factor appears to have been a change in the point of view of a large number of individuals, engendered by the conditions of the War, when the "winning" of other people's belongings came to be regarded as a very minor offence in the face of risks involving life and death, and habits inculcated when vast numbers of men were serving in the Forces were not always abandoned when they returned to civil life. Another factor has been the development of motor transport. Distance no longer limits the work of thieves. Burglars are now able to raid premises far from their habitations and in a few minutes to be away from the scene of the depredations.

The old-time burglar—the Bill Sikes type immortalized by Dickens—is no more. In his stead is a nimble-footed, needle-witted individual—a schemer—who works with his brains as well as his hands. He is a queer blend of courage, fear, avarice, brutality, nerve and nerves. Burglaries and thefts are often carried out with much calculated effrontery by educated and discerning men and women, able to discriminate nicely between the values of different articles. Often the unpretentious but most precious goods are taken and the more showy, but less valuable, articles left behind. In this and indeed in every country there are always ways and means of marketing stolen goods, and if it were possible to close these channels and to apprehend the receivers, thefts and robberies would again be reduced to much smaller proportions.

No incidents have struck the public imagination in recent years more forcibly than the prevalent "smash and grab" robberies in daylight. Before the War "smash and grab" usually meant a brick thrown at a window during a dark night or in the early morning, with the thief making himself scarce on foot as quickly as his legs would carry him, with his spoils in his hand. Such losses were relatively rare, for salesmen were not then accustomed to leave valuable stocks behind unprotected panes of glass after business hours. These thefts have now given place to raids in broad daylight, when crowds are in the streets. They are of almost daily occurrence and sometimes several occur in London during a single day. An example of such a raid took place a few weeks ago at the premises of a well-known firm of jewellers in Oxford-street, London. Between 9 and 10 a.m. a car stopped outside the shop, when the streets were thronged with passers-by, the front window was shattered and jewelry to the value of £3,000 was carried off in the car, which was driven off rapidly by the members of a clever and daring gang of operators.

These raids are carefully planned. Each member is assigned his particular task. One breaks a window, another grabs the articles chosen, and a third may carry them to the car. Before the public has realized what has happened, the members of the gang have disappeared in their car in the maze of London traffic. In nearly every case the car itself is stolen. It is usually of high power and capable of rapid acceleration. Although the driver may have only seen it for the first time a few hours previously, he handles it with consummate skill, and once a good start is obtained, pursuit in the welter of London traffic seems almost a waste of energy. And not only does the shopkeeper lose his goods, but there is the damage to the window and the incidental loss of display and disorganization of business.

Competition among shopkeepers to make an attractive display tends to aggravate the difficulties of prevention. Merchandise representing in the aggregate an enormous value is exhibited in the shops of any great city. The practice which has grown in recent years, of illuminating shop windows at night, may have its advantages, so far as protection is concerned, but it also displays what there is to be stolen.

Jewellers and furriers are among the chief victims, but dresses, optical goods, cameras, gramophones and wireless sets appear in the long list of recent losses. Portable wireless sets seem to be a powerful attraction, and they are stolen, not only by means of window smashing, but through the agency of orthodox burglary. Presumably this fancy for wireless sets is accounted for by the ease with which this class of merchandise can be disposed of and the high prices obtainable for them.

Thieves of this type do not confine themselves to retail shops. Lorries have drawn up alongside wholesale warehouses and, with every appearance of innocence, members of the gang have entered the premises, helped themselves to large quantities of goods, and have driven off before anyone had realized that this was not legitimate commerce.

"SMASH AND GRAB."—Two pictures of raids on furriers' shops by "smash and grab" thieves. A piece of concrete thrown through the window is seen in the second picture.

RAIDS ON JEWELLERS.—The highly organized methods of modern criminals are referred to in an article on this page. The first picture shows how thieves tore off the grille to smash a jeweller's window, and the second a hole through a wall made by burglars in order to raid a jeweller's shop.

HOUSEBREAKING

One important company, which includes burglary insurance in its business, pays many thousands of claims in the course of a year. Each morning's post brings particulars of many thefts from private houses, as well as from business premises. The circumstances are studied, and much experience is gained. Just as fire insurance companies survey every important fire risk submitted to them, so companies transacting burglary insurance will survey the risks they are asked to cover. They maintain a special staff of expert surveyors, whose function it is to advise owners of property how best to protect their goods. These suggestions, admittedly, are not always effective in preventing thefts, but they do act as deterrents. The experts who now specialize in thieving have discovered means of overcoming many of the accepted safeguards, and have made entries into properties which in the past would have seemed impracticable. In one recent case, a straight pipe, nearly 100ft. high, was scaled. Ice-cold nerve and sinews and muscles of steel were necessary for this particular job.

Although perhaps the latest of the escapades, daylight robberies are by no means the only new type of crime perpetrated. One method, of which there have been many examples, is for a gang to arrive in the neighbourhood of a country house when the occupants are at dinner. Entry is made into one of the upper rooms, and the gang help themselves to various articles and are away again in their cars before the company in the dining room has separated.

Householders can specially insure their effects against the risk of burglary and theft (the usual rate of premium for which is 2s. per cent.), or they can include their burglary insurance in comprehensive policies, covering fire, employers' liability and third party risks. These insurances only cover the property while at their homes, and people who wish to insure against the loss or theft of valuables which they carry about with them should effect policies against "all risks." Jewels and furs especially are insured in this way. The utmost good faith is the essence of all insurance, and it is never more vital than with these "all risks" policies. The companies and underwriters have to take much on trust. They rely on the good faith of the insured, and also on the exercise of reasonable care.

HEAVY CLAIMS

It is not unfair for underwriters to expect that the owners of the articles should take as much care of their belongings as if they were quite uninsured. Necklaces, bracelets, brooches, and fur wraps are lost or stolen, and the underwriters are asked to make them good. Most of the insurances are submitted by the agents of the companies, to whom the proposers are known, and it is largely on the strength of the recommendations of the agents that the risks are accepted. The honest suffer from the activities of the few dishonest. It is protection against the dishonest that the honest public desires, and it is the business of insuring underwriters to provide this protection.

Originally rates of premium were largely a question of guesswork. Now the experience of the companies is available, so that over a period of years the cost of the claims in particular classes of risk can be more or less accurately assessed. The system is to the advantage of the insuring public, since a very wide sweep of business can be obtained and the rates are based on the actual experience of the past.

The range of risks which come within the scope of theft and burglary insurance is very wide, and special terms are quoted for a great variety of hazards. There are special policies, for instance, for jewelry and furs, special policies for all forms of *objets d'art*, special policies to cover merchandise in transit, special policies to cover wages while in transit from banks, and special policies to cover sporting trophies. The business possesses its interest for those who transact it, if only because they are frequently encountering claims for loss by some unexpected and ingenious means. As with all other forms of insurance, the volume of the business is its salvation, for an immense number of small premium payments provide the means of making good the heavy claims which are now of common occurrence.

MOTOR ACCIDENTS

PROVISIONS OF THE TRAFFIC BILL

PAYMENTS TO HOSPITALS

(FROM A CORRESPONDENT)

The immense development of motor traffic during the last 10 years has been accompanied by an equally rapid growth of this comparatively new section of insurance. Risks attendant on the use of motor vehicles have been the subject of insurance for 30 years or more, but whereas the business in its early days was transacted by only a few companies, it now ranks in importance with the much older fire, life, and marine forms of insurance.

In view of its increasing significance, therefore, it is not surprising that the boards and managements of insurance companies pay particular attention to this side of their business, and in some cases view with concern the narrow margin of profit, or even the lack of it, which has been their fortune during the last few years. In its recently published balance-sheet for 1929 one of the best known companies for motor insurance revealed an underwriting loss of approximately 1 per cent. on a very considerable premium income. Fortunately this setback is well controlled by the financial reserves of the company, and there is ample sound security for policyholders.

TWO MAJOR RISKS

The two major risks which form the subject of a motor policy are loss of or damage to the vehicle and liability to the public (third party risk). As regards the first peril, the risk of loss on the occasion of each accident is limited to the value of the vehicle, but claims are numerous and are often for substantial amounts. A total loss is by no means infrequent through the severity of a collision, rendering the repair of the vehicle uneconomical, or through destruction by fire, or loss by theft. A fresh outbreak of this last risk has been in evidence for some little time. The activities of the "smash and grab" thief in borrowing a fast car for his work have become notorious, but such vehicles are generally abandoned and recovered—frequently in a damaged condition. The new phase, however, is the theft of mass-production cars, which are quickly and completely stripped of all removable parts—wheels, tires, magneto, carburettor, &c.—that cannot readily be identified and therefore find a ready market for disposal.

Where the value of a motor vehicle is low, economy in insurance is sometimes sought by the motorist in running his own risk for loss or damage, but insurance against the other peril—third party risk—cannot be neglected, as there is practically no limit to the amount of the financial liability which may result from the occurrence of an accident. Civil liability in this respect is not measured by the gravity of the offence. The act of an intoxicated motorist, although punishable in the Criminal Courts, may result only in a few pounds' worth of damage, while a slight error of judgment on the part of an ordinarily careful driver may cause death or injury involving thousands of pounds. Sound insurance against this liability must be obtained, and economy in premium is a grave mistake unless it can be effected with certainty that the protection obtained is free from restrictive conditions, and that the office insuring the risk will give the broadest possible interpretation to its contracts. Liability may devolve on the owner of a motor vehicle, not only for his own acts of driving or for his omission properly to maintain the vehicle, but also for the carelessness of other persons whom he authorizes to drive the vehicle, and it is therefore essential to have wide protection in both respects without limit of amount. Regard should be paid to the financial strength of the insurance company and to its general reputation for the treatment of claims.

NATIONAL WASTAGE

The national wastage in motor accidents has engaged the serious attention of Governments for some considerable time, and the valuable work of successive parties in power shortly promises to materialize in legislation. It has long been recognized that legislation has not kept pace with the rapid development of motor traffic; consolidation and amendment of numerous out-of-date statutes are essential, and it is anticipated that before long the future control of the use of the highway in this country will be governed by the passing of the Road Traffic Bill now before Parliament.

The provisions of the Bill are directed mainly towards the reduction of accidents, but features which have vital interest for insurance companies are the abolition of the speed limit and the provisions for compulsory security. It is felt in certain quarters that increase of speed will mean an increase in the cost of claims, since it enhances the possibility of an accident and the severity of its results. Uneasiness on this account is not confined to insurers, but is shared by many disinterested and important organizations. The majority of opinion, however, is that legal speed limits, even though increased, are of no practical avail, and that the present general disobedience will continue. Consequently some other means must be employed for curbing recklessness in driving.

The Bill provides that, on pain of fine or imprisonment, a motor user shall obtain insurance or other security to cover liability which he or any other person whom he permits to use the vehicle may incur in respect of death of or bodily injury to other persons arising out of the use of the vehicle on the highway. The whole object of this provision is to ensure that a person injured by the negligent driving of a motor vehicle shall have a more certain means of recovering compensation, but legislating for this object without leaving inevitable loopholes is by no means an easy task. Fine and imprisonment will not deter all persons from disobedience to the law—the motor thief and the "car-borrower" will still exist, and it is often these who, by their wantonness, cause serious injuries to members of the public.

THIRD PARTY CLAIMS

Legislation in this direction has already been enacted in certain countries abroad, but it is still in the experimental stage. So far as the effects may be judged, there has been a marked increase in the number and magnitude of third party claims, and serious difficulties in settlement have occurred. The results of compulsory insurance in the State of Massachusetts have been to fill the Courts with contentious claims and to cause a very substantial increase in the cost of insurance. While it has been shown that well over 90 per cent. of motor owners (other than cyclists) in this country are insured or sufficiently secured financially, there is evidently a general consensus of opinion that compulsory provision of security is desirable and must be tried.

In connexion with the provisions for compulsory security in the Road Traffic Bill, opportunity has been taken to introduce a clause to the effect that where an insurance company pays compensation to the person injured in a motor accident the company shall also be liable to pay directly to the hospital the cost of hospital treatment of such person up to £25. This clause is causing serious concern to insurance companies, and is recognized in many quarters as a radical departure from constitutional legislation. Apart from the fear that it will add to the general effect of the Bill in increasing the cost of insurance, the clause does not carry the support of the Government. The Minister of Transport, in moving the second reading of the Bill, expressed the view that

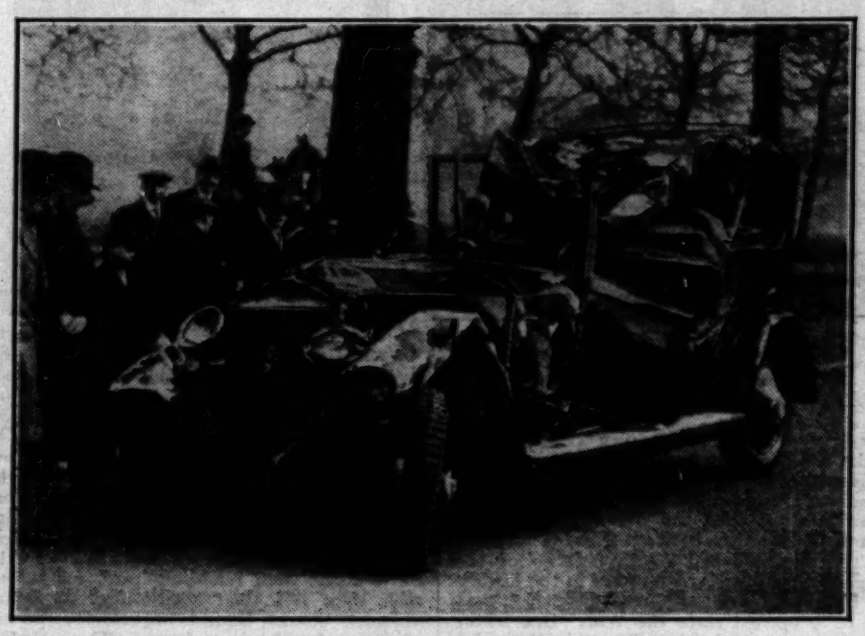
> it would not solve the financial difficulties of the hospitals—the question as to whether hospitals had a right to charge for their services was a matter within the control of the hospitals themselves, and with all the good will in the world there would be considerable legal difficulties in trying to draft into the Bill a matter which ought to be dealt with in connexion with the general problem of voluntary hospitals.

The problem of the voluntary hospitals is acute, and any practical measures would be welcomed by every one. Thousands of persons receive treatment every year as a result of motor accidents, and the task of raising funds to meet the expenses of this treatment is enormous. Primarily the person injured should pay or contribute to the cost of treatment—if he has a right to damages against another person such payment can be recovered—but the hospitals cannot enforce such payment without altering their voluntary status.

EFFECT ON HOSPITALS

The clause in the Bill not only changes the voluntary aspect of hospital treatment in compulsorily raising money by statutory obligation, but it goes past the primary source of payment and places the burden on a third person, the insurer, who may or may not be answerable. Moreover, it merely touches the fringe of the problem, and may have results which will negative the benefit which it is intended to confer. On the one hand, no account is taken of the motorists, especially motor-cyclists, who suffer injury as a result of their own carelessness, or of pedestrians, cyclists, and other users of the highway whose own lack of caution leads to injury; on the other, it may be that a large proportion of motorists accustomed to make voluntary contributions to hospitals from time to time will consider this duty discharged in future by the payment of the insurance premium.

Problems which motor insurance raises are not confined to this country, but are encountered by the companies in their work abroad. It is a matter of particular interest that British companies, in motor as well as in fire insurance, have a world-wide reputation and can establish themselves substantially in other countries against keen competition. Not only is an important volume of insurance effected with them in the Dominions but also in most foreign countries.



MOTOR INSURANCE.—Motor insurance is creating many problems for the underwriters. The continual increase in the number of accidents and the question of third party risks are but two phases to be considered. A wrecked car after an accident in Rotten Row.

AIR TRANSPORT RISKS

FACILITIES FOR INSURANCE

DIFFICULTIES OF ASSESSMENT

(By Captain A. G. Lamplugh, F.R.Ae.S., M.I.Ae.E., F.R.G.S.)

The business of insuring aircraft and air transport risks has now attained considerable proportions, in keeping with the rapid growth during recent years of the use of civil aircraft throughout the world. In this comparatively new field London, where aviation insurance originated and where an organized market to deal with it has been created, maintains a predominant position. It is the biggest centre, to which gravitates, by way of reinsurance, a large foreign business in addition to purely British business. The ability to attract this foreign trade is of great importance, for Great Britain is rather behind many other countries in the number of her civil aircraft and in the use of this new form of transport, though the quality of her civil air operations bears comparison with that of any other country.

Although some underwriters at Lloyd's had been accepting aviation risks from time to time for a good many years, the organization of British aviation insurance only began in June, 1924, by the union of the White Cross Aviation Insurance Association, underwriting members of Lloyd's, and the Union Insurance Company of Canton. In 1929 the company became the British Aviation Insurance Group, Limited, for which some of the largest underwriting syndicates and some of the largest insurance companies are underwriters.

During these years the value of aircraft and their carrying capacity have advanced enormously, and as a direct result the volume of insurance has increased very rapidly. It is a business of great complexity, in which there is still no basic method of rating.

FACILITIES FOR COVER

Yet it is generally true to say that insurance is now available to the users of aircraft in as adequate a measure as to those of any other method of transport. That such facilities should be offered is, of course, of first importance to the growing British aviation industry, for provision against mishap is the necessary and normal precaution in every undertaking to-day. That civil aviation cannot be developed without the help of insurance is, however, a truism that has not been fully realized either in this or any other country; yet it is obvious that, unless aircraft constructors and operators can guarantee the construction and operation of their machines, providing every aid to safe and efficient navigation, the insurance rates must be such as to preclude the possibility of economic transport by air. Of the loss sustained by underwriters since 1919, and the loss has not been small, it is estimated that fully 50 per cent. was avoidable. It has been clearly demonstrated, however, by the experience which underwriters have gained during the last ten years that, all things being equal, British aircraft are in all respects a better risk than most aircraft designed and built abroad.

INSPECTION OF AIRCRAFT.

One of the most important facts in the incidence of insurance of aircraft is the standard of airworthiness to which the machines are built and maintained, and very naturally different countries have entirely different views and standards of airworthiness. The question is now of such importance that Lloyd's Register of Shipping have begun this work, and the British Corporation Register of Shipping and Aircraft undertake similar functions. Both bodies are limited at the moment to privately owned light aircraft, and the Air Ministry still retains its power to survey any aircraft, whether light, medium, or heavy, as and when they require. It is an obvious conclusion that while the large majority of aviation insurance is placed in London the methods employed of recent years by Lloyd's Register of Shipping will ultimately prove to be of great value to aviation underwriters. It can be confidently assumed that before many years have passed the inspection of aircraft during construction, maintenance, and operation will be undertaken by British surveyors in all parts of the world.

The operation of aircraft, carrying passengers and freight, requires a network of intelligence services and salvage and survey organizations which are gradually being built up to afford the same measure of service in aviation as they do in shipping; and while we are only at the beginning of this work the foundations for its development have been well laid. While time and money are not being stinted in research work to prevent accidents the pilot is still the key to the position. The need for a school or college at which carefully selected pilots can be trained to enable them to undertake Continental aviation is therefore very great.

TYPES OF INSURANCE

The classes of insurance in request vary greatly, but in general they may be divided under the following headings:—

(*a*) Accidental damage caused to the aircraft while in flight or taxi-ing.

(*b*) Ground risks, including damage by fire, storm, and tempest, and by burglary or malicious damage.

(*c*) Legal liability to third parties in respect of damage caused by the operation of aircraft.

(*d*) Liability for damage caused to passengers or freight during air transit.

(*e*) Contingent risks.

(*f*) Racing and experimental.

Under the first heading a wide variety of flying risks is covered, and the difficulties of accurate assessment of each separate type of flying risk are great, since the risk is affected by many different circumstances. Covers are issued on a time basis or for a voyage, or at a rate of so much per flying hour. A new method has just been evolved in this last connexion whereby the engine of the aircraft has a sealed and tested revolution counter, and insurance is effected upon the basis of so many million revolutions. This system does away with the necessity for checking log books, and is likely to increase in popularity in the case of aircraft insured for purely flight risks. Another form of cover for which there is an increasing demand is of the type known as the "loss of profits." This applies at the moment chiefly to the case of aircraft delayed by accident in flight while carrying passengers or goods.

Two principal difficulties face the aeronautical underwriter. He has to gauge accurately the hazards with which any particular type of aircraft may be likely to meet in a variety of circumstances, and to keep the liabilities in this connexion within some reasonable limit. In the second place there is the comparatively severe damage which follows even a minor aircraft accident and the inspection which is required to ascertain the actual extent of damage. It may happen that the modern aircraft engine, being most delicately built of the finest materials and producing an enormous power output, suffers no visible damage. Nevertheless, that engine may have to be stripped at least twice and given two bench tests before it is finally returned to the aircraft. The inspection of the frame of the aircraft has to be equally thorough, and if the slightest doubt exists as to the airworthiness of a unit it must be scrapped and replaced.

Generally the rates for goods and specie compare favourably with those quoted for the older forms of transport. The reduction which has been effected in recent years has been due to the increased volume of traffic and the increased safety. The records show that a very varied assortment of traffic is now carried by air. Thus we have choice cut flowers from Holland, bullion, perishable goods, fine small hardware, horses, lions, and motor-cars, and almost anything but bulk cargoes. In aviation insurance there is no room for that degree of scepticism illustrated by the old saying "Pigs might fly," for many a porker, duly insured, has flown to market or exhibition. In regard to the precious metals, a sender may find that the cost of freight and insurance has been more than covered by the saving in interest due to quicker transport.

AIRSHIPS

At the moment of writing the only large airship risks which have been accepted are the delivery flight of the ZR 3 from Germany to America and the various flights carried out by the Graf Zeppelin. Not the least of the difficulties in dealing with airships is the enormous value at risk. Even for a small airship the minimum hull valuation may be put at approximately £250,000; to this must be added the accident cover for the crew, which may run as high as £50,000; while in respect of passengers the cover requested has been as high as a further £250,000; adding to this the insurance of freight, registered mail and cargo, a final liability is reached quite in excess of the power of the available market to absorb. It is a cause of some distress to airship operators that they cannot find full cover in this respect. It is likewise a matter of concern to the insurers, since it is likely that airships will ultimately provide one of the biggest fields for insurance.

The British Aviation Group has set up a legal department, and among the purposes it is serving is the establishment of a record of the law relating to every country over which the regular air lines operate.

INSURANCE SHARES

BENEFITS OF SOUND FINANCE

SMALL UNDERWRITING PROFITS

(By Donald S. Savory, M.A., F.I.A.)

Insurance shares as a means of investment have steadily increased in popularity during the last few years. Twenty or thirty years ago the shares were mainly in the hands of people who had made a special study of this market; they are now held to an increasing extent by the ordinary investor, by trust companies, and even by other insurance companies. This greater diffusion of insurance shares is due to a wider recognition of their merits, partly as a result of the increasing volume of literature on the subject, but perhaps chiefly as a result of the steadily increasing dividends declared by the companies.

Although quotations have advanced quite as quickly as—sometimes more quickly than—dividends, the shares still remain one of the most attractive mediums for long-term investment.

STRENGTH OF THE MARKET

The inherent strength of the market position—due largely to the fact that insurance shares have always been regarded as a permanent investment and not as a short-term speculation—was amply demonstrated in 1929.

In spite of the exceptional rise in prices during 1927 and 1928, and in spite of the heavy fire losses sustained by the companies during 1929, the depreciation during that year was only about 16 per cent. of the value as at the end of 1928; whereas the average depreciation in the ordinary shares of general industrial companies was in the neighbourhood of 25 per cent. of values at the close of 1928.

Most of the reports for 1929 have shown a reduction in profits as compared with 1928; yet no reductions in dividend have been announced. On the other hand, several companies, including the Car and General and the Motor Union, the General Accident, the Liverpool and London and Globe, the North British and Mercantile and the Royal, have declared increased dividends; the Atlas has been able to put £55,000 to a reserve against uncalled capital, the London and Lancashire has announced the capitalization of £727,862 and an increased interim dividend on account of 1930, and the Scottish Automobile has capitalized 2s. 6d. a share.

Such uniformly satisfactory results might lead the uninitiated to suppose that there was something so inherently profitable in the nature of insurance business that it might be described as a veritable Tom Tiddler's ground, where all who chose could pick up gold and silver. There could be no greater fallacy. The list of insurance companies that have failed to do anything other than lose their shareholders' capital is very much longer than the list of those which have made good. Many of the failures are now ancient history and forgotten by the present-day investor, but the untimely fate of most of the new companies formed in 1919 and 1920 must surely be fresh in the mind of many an unfortunate investor; while at the present time the British Surety, after two brief years of existence, is engaged in writing off 95 per cent. of its paid-up capital as lost.

COMPETITION AND TAXATION

If genius may be described as an infinite capacity for taking pains, so insurance management may be described as an infinite capacity for collecting and accumulating macroscopical profits from all parts of the world in the face of the fiercest competition and most onerous taxation. Statistics given by Mr. W. H. Walker in his paper on "The Sphere of British Insurance Companies in the Foreign Field" for 74 tariff and 40 non-tariff companies, showed that for the 18 years 1910 to 1927 the average surplus in the Fire department before providing for British taxation—income-tax, excess profits tax and corporation tax—was only 8.8 per cent. of the premiums for tariff offices and 5.4 per cent. for non-tariff offices. Profits in the Accident departments have been much less, and in the Marine departments smaller still.

In 1927 Mr. Pascoe Rutter declared that the net profits of the Insurance companies for the previous 20 years averaged less than 5 per cent., and in 1929 he stated that the average profit of 1928 was less than 4 per cent. It seems safe to state that there is no other commodity that is sold at so small a margin of profit as insurance.

The obvious prosperity, the great financial strength and the high rates of dividends of the great British insurance companies are not the result of excessive charges for the cover sold, but are due to long years of conservative finance, to the systematic retention of underwriting profits, and to the patient accumulation of various forms of reserves, the need for which has been proved. The outstanding distinction between insurance companies and other commercial concerns is that, whereas the ordinary company generally distributes the greater part of its trading profits in dividends, the insurance company retains these and uses them as stepping stones to further expansion. This practice has brought prosperity to insurance companies; leaders of industry might well consider whether it might not also provide a solution of many of their difficulties. The experience of the few industrial companies which have, to a certain extent, followed this practice would seem to provide an affirmative answer.

IMPORTANCE OF RESERVES

As a result of many years of accumulation British insurance offices now possess reserves which, with paid-up capital, amount in many cases to 150 per cent., and even more, of their total premium income, and shareholders sometimes suggest that this policy of accumulation has gone far enough and that the time has come when some of these reserves might be distributed. It is extremely unlikely that any such action will ever be taken by any insurance company.

Admittedly reserves are greater, both absolutely and relatively, than they were 20 years ago, but the need for large reserves is greater still. Looking at the matter first of all from the point of view of fire insurance: as a result of improved construction and keener competition, fire premiums are being continuously reduced, so that a given amount of fire premium income means the covering of a much larger risk than did the same amount of fire premium 10 or 20 years ago, and therefore a larger reserve is essential to cover the conflagration risk. Some idea of the magnitude of the conflagration risk may be obtained from the consideration that the British offices paid as a result of the San Francisco Fire of 1906 $64,099,000 (£12,819,800), or more than 63 times the total fire premiums collected from San Francisco in 1905. Should a similar conflagration occur to-day the ratio would undoubtedly be much higher.

DEPOSITS

Another factor which has become of increasing importance of recent years is the question of deposits. Deposits are now required by practically all Governments abroad before a foreign (*i.e.*, British) company can enter the field of operation. This tendency to demand deposits is increasing, and hardly a year passes but another country or two is added to the list. At the present time a company transacting all classes of insurance in all parts of the world would have to put up in deposits alone an immense sum. In addition, many countries insist on full reserves—very often substantially more than the usual 40 per cent.—being kept in the country in specified classes of security. Then again, in the United States most States have a law limiting the net amount that may be insured on a single risk to from 6 per cent. to 10 per cent. of the company's net cash assets.

It has been estimated that the fire income of a composite office to-day is derived roughly as to 25 per cent. from home business, as to 50 per cent. from the United States, as to 5 per cent. from Canada and as to 20 per cent. from other foreign countries. Such a distribution means that very large sums are permanently locked up in various countries either in deposits or reserves, and that the need for a large central fund free to supplement the resources of any one of these watertight compartments that may have suffered an unusual loss is correspondingly enhanced.

There is also the increasingly important question of competition from local companies. In the United States, particularly, during the last two or three years many new companies have been formed with very large capital resources, and British offices can only retain their business in the face of this competition by showing that they have ample reserves available in that country.

So far from the companies distributing the funds they have accumulated, there has actually been a tendency of recent years to increase resources by the issue of new shares at a premium. This plan has been adopted notably by the Caledonian, Commercial Union, General Accident, Licenses and General, and the Yorkshire. While such issues give an apparent bonus to shareholders, they generally result in an unsettled market for some time after, and permanently increase the number of shares ranking for dividend; so that, while the accumulation of the necessary reserves out of profits may be slower, it would seem in the long run to be better for shareholders. Although the shareholder must not expect any distribution—as distinct from capitalization—of reserves, yet this building up of reserves is directly beneficial to him. Increasing reserves mean increasing interest earnings, and in due course increasing dividends.

AIR TRAVEL.—The increased popularity in recent years of air travel and its attendant risks have necessitated special study by underwriters. A photograph of a crashed air liner.

INTEREST AND DIVIDENDS

Insurance companies have in the past so consistently regulated the amount of their dividend disbursements by the amount of their interest receipts that shareholders are sometimes apt to pay exaggerated attention to these latter. Interest earnings are important, yet they must be studied not alone, but in conjunction with underwriting results. A large increase in premium income would lead to an increase in interest earnings, but if that business resulted in heavy underwriting losses, that increase in interest income would be the precursor not of a dividend increase, but of a dividend decrease.

In the table below particulars are given of the premium income, interest earnings and dividend payments of 14 leading composite companies whose shares are in the hands of the public for the years 1915, 1922, and 1928. This table shows that there was a very large increase in premium income from 1915 to 1922—from £35,373,000 to £69,184,500—but that from 1922 to 1928 the growth in premiums was smaller—from £69,184,500 to £83,766,100. But while the increase in premiums during the first period was, in round figures, £34,000,000, and only £14,500,000 in the second period, the increase in interest income was £2,174,000 in the first period, and £1,773,000 in the second period. In other words, the slower rate of increase in premium income in the years 1922-28 was, so far as interest earnings and, therefore, dividend payments are concerned, largely offset by the greater accumulation of profits during that period. This point is of considerable importance when considering the future course of insurance shares, for during the last three years fire premium income has actually declined, and, although this decline has been rather more than offset by the increase in accident premiums, the net increase in premium incomes with most companies has been small, and no marked expansion can, so far as one can see, be expected in the near future.

The effect on interest earnings and dividends is shown even more strikingly if one studies the accounts of an office like the London and Lancashire. From 1912 to 1928 inclusive the interest earnings of the London and Lancashire, plus the 1924 life profits of the Law Union and Rock, came to £4,912,445, and during that period £4,941,927 was paid in dividends. In the same period net underwriting profits came to £8,189,723; of these about £1,000,000 went to defray debenture interest, rather over £2,400,000 was used to write down cost of investments and businesses acquired—*i.e.*, to internal reserves—and the rest was added to the visible reserves. The result was that while 40 per cent. of the increased premium would have meant an addition of under £2,000,000 to reserves, and, say, £90,000 to net interest earnings, the actual increase in reserves was £6,950,000, and in interest income £390,000.

The table is also worth studying from the point of view of dividends paid on each share. Only one company shows over the period 1915-28 an increase of less than 50 per cent.; five companies have more than doubled their dividend, three have more than trebled theirs, and one has increased it from nothing to 12s. a share. Is it surprising that the number of insurance shareholders tends to grow?

INDUSTRIAL LIFE COMPANIES

During the last few years there has been an increasing inquiry for the shares of the large industrial life assurance companies, and there has been a substantial all-round increase in the market value of these companies. This increase appears to be fully justified on the intrinsic merits of the shares. For many years a large proportion of the surplus earned in the industrial and ordinary life departments of these companies was devoted to strengthening the valuation bases. Thus in 1927 the Britannic Assurance, which had previously valued its industrial life department on a 3½ per cent. basis, transferred to a 3 per cent. basis, while in 1925 the Pearl Assurance retrospectively increased the sums assured under its industrial policies at a cost of approximately £3,800,000, and in 1928 this office took the unprecedented step of transferring the valuation of its industrial life department from a 3 per cent. to a 2½ per cent. basis. Similarly the London and Manchester has for some years past steadily strengthened its valuation basis, and by drastically writing down the value of its investments has greatly improved the net rate of interest yielded by these, so that for the last five years the net return has been in excess of 5½ per cent. The operations of the Prudential Assurance during the last few years have been remarkable for the drastic reduction in the expense ratio of its industrial branch. This expense ratio has been reduced from 40.5 per cent. in 1920 to 24.8 per cent. for 1929.

While, as with fire and accident insurance, substantial reserves are also essential for life assurance companies, there does, with this latter class of company, come a time when further strengthening of the valuation basis would appear to be unnecessary. It would seem that the somewhat more generous attitude adopted by industrial assurance companies to their industrial policyholders and to their shareholders during the last few years has been due to the fact that the companies have now attained a position of such financial strength that no further support of the internal reserves is immediately necessary.

RATES OF DIVIDEND

With the exception of the Britannic and the Prudential Assurance, the rate of dividend paid during the last five years by the four leading companies has remained unchanged, but the amount of capital on which the dividends have been paid by the Britannic, the London and Manchester, and the Pearl has materially increased.

While the capital on which the Prudential paid dividends remained unchanged from 1924 to the end of 1929, in November of that year shareholders received the right to subscribe for one new share in four at £5 a share. These shares will rank for dividend as from March, 1931.

During the last few years most of the industrial assurance companies have undertaken the transaction of fire and accident and, in some cases, marine insurance.

The Prudential Assurance carries this on in a separate branch, and made a special issue of "B" shares to provide the necessary financial backing. These "B" shares are entitled to 75 per cent. of the profits of the general branch, leaving only 25 per cent. for the "A" shareholders. The other three companies have maintained the principle of having only one class of shareholders, who are entitled to participate in the profits of all sections.

So far the general business of the Britannic and the London and Manchester has been managed on their behalf by other companies with more experience of this type, and the business has been restricted to comparatively small dimensions. On the other hand, the Pearl has retained the management in its own hands, and by 1929 had built up a total premium income of £649,089, and had accumulated departmental reserves of £681,162. Although down to the present, shareholders have not participated to any substantial extent in the profits of this new departure, there seems little doubt that it is destined to become an increasingly important factor in the future.

TABLE showing the Premium Income, Interest Earnings, and Dividend Payments of 14 leading composite companies.

Company	1915 Premium Income	1915 Net Interest Earnings	1915 Cost of Dividend and Interest	1915 Dividend per Share	1922 Premium Income	1922 Net Interest Earnings	1922 Cost of Dividend and Interest	1922 Dividend per Share	1928 Premium Income	1928 Net Interest Earnings	1928 Cost of Dividend and Interest	1928 Dividend per Share
	£	£	£	s. d.	£	£	£	s. d.	£	£	£	s. d.
Alliance	2,233,602	187,423	364,006	12 0	2,993,871	279,223	361,375	14 0	3,652,398	338,074	506,638	18 0
Atlas	1,151,438	53,943	80,189	4 0	2,508,162	119,105	148,443	6 6*	2,993,047	146,458	178,877	8 0*
Caledonian	500,289	20,099	23,286	4 9½	1,106,631	62,360	35,652	9 0	1,350,051	79,068	90,300	17 6
Commercial Union	7,324,131	368,870	347,876	5 6	13,750,525	719,326	718,575	11 3*	16,894,808	1,106,183	1,294,638	20 6
General Accident	1,343,863	31,775	7,650	—	3,951,196	117,311	58,700	6 3	7,415,441	235,955	168,976	12 0
Guardian	826,567	82,219	104,009	5 6	1,563,086	141,768	139,415	7 0	1,950,784	177,377	169,332	8 0
London and Lancashire	2,985,082	114,532	132,767	5 9½	5,496,327	396,767	414,180	13 0	7,360,522	551,170	615,498	19 0
London	1,525,912	87,893	89,655	5 0*	2,556,841	204,855	201,982	7 6*	3,372,131	256,749	238,161	11 3
North British and Mercantile	2,978,734	231,466	254,021	8 0	5,302,017	335,119	318,575	13 0	6,514,965	520,429	510,347	21 0
Phœnix	2,613,448	156,713	190,926	8 0	11,560,725	522,744	534,977	12 0	7,986,196	599,622	667,703	14 0
Royal Exchange	2,059,060	77,127	68,234	11%	2,512,118	118,521	91,493	18%	3,458,910	208,523	205,763	27%
Royal	6,625,139	354,007	386,536	2 9½	10,887,361	880,604	976,574	4 7	13,722,706	1,313,053	1,373,579	6 0
Sun Fire	1,587,852	128,291	145,600	14 0	2,842,727	144,578	168,150	19 0	4,300,819	243,332	243,200	25 0
Yorkshire	1,621,080	61,506	62,645	(a) 2 6*	2,152,890	87,405	91,285	(a) 3 6*	2,793,318	126,340	125,790	4 9*

* Free of tax. (a) Per partly-paid share.

RECENT INSURANCE BUILDINGS

DIGNIFIED INTERIORS

SOME LONDON EXAMPLES

(BY OUR ARCHITECTURAL CORRESPONDENT)

It is only necessary to walk through the streets of any large city with an observant eye to see what a large proportion of commercial architecture is due to insurance companies. In some cases, of course, the company occupies only part of a building designed for general office purposes, but there is an increasing tendency of the larger concerns to have whole buildings designed and erected for them. To a certain extent these buildings share the general requirements of commercial architecture ; on the practical side, the maximum of space, light, and air, and, on the aesthetic side, the responsibility for keeping up the dignity of the street frontage in a neighbourly manner ; but, though it would be too much to say that there is a distinct insurance architecture, there are certain particular requirements which, especially in more recent examples, determine the form of the building. These may be defined as a large and conveniently arranged general office and adequate space for storing a great mass of documentary material in easily accessible order. If these are the practical requirements which determine planning, the particular emotional requirement of the insurance building in its elevation is clearly to suggest forethought and providence and to inspire confidence.

ELEVATION AND PLAN

Historically the insurance building follows the general tendency of architecture to dispense with "trimmings," to bring the elevation into closer accord with the plan, and to advertise its function by general form and proportion rather than by the addition of symbolical ornament. With this general progress it remains, however, on the conservative side, and—in London, at any rate—insurance has produced nothing so distinctively modern as Adelaide House, the Kodak Building, the Courtauld Building, and the new Underground Headquarters. Considering the nature of insurance business this is probably a fault on the right side, and it can certainly be claimed that the general effect of insurance upon architecture has been away from ostentation and in favour of a sober dignity.

The Prudential Assurance Company holds such a high status in the insurance world that no apology need be made for quoting its headquarters, at Holborn Bars, as an example of what insurance architecture would now avoid. Designed by the late Mr. Alfred Waterhouse, R.A., in the Gothic of his period, the spiky red mass has a certain sentimental interest—like that of the Natural History Museum, by the same architect—but it cannot be said to consider its neighbours or the probable lines of urban development, and, though it is possibly more convenient than it looks, it does not suggest good planning for insurance business. It has too much the effect—common to the buildings of its period—of trusting to looks for an impression of consequence which should be made rather by conduct, the defect, indeed, of the Victorian "Great Man." Since then, architects, and the business firms that employ them, have learnt that the closer you build to the organization of business itself the more likely you are to indicate its importance in the social scheme. We aim to-day at letting efficiency proclaim itself.

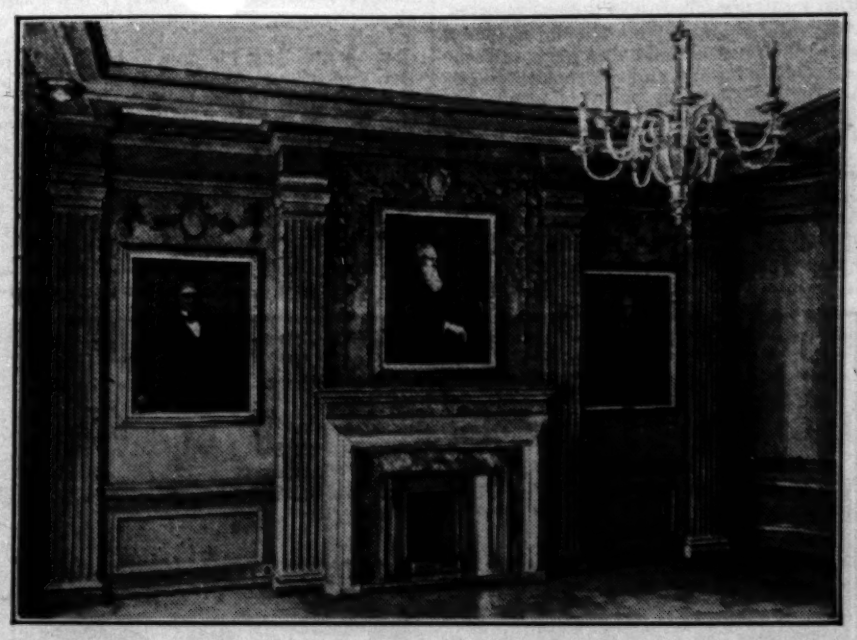
Before glancing at some of the more recent insurance buildings in London it may be well to say that their selection has nothing whatever to do with the relative status of the companies represented, but was made on purely architectural grounds.

EMPLOYMENT OF SYMBOLISM

It will be convenient before coming to insurance buildings of the moment to discuss one which shows remarkably well the disposition, now generally abandoned, to advertise function by a very full employment of symbolism—the United Kingdom Provident Institution building in the Strand, just south of St. Clement Danes, designed by Mr. H. T. Hare and opened by the late Lord Oxford, as Chancellor of the Exchequer, in 1907. The nature of the site compelled a concave frontage, and the neighbourhood of Australia House, no doubt, indicated the style of the elevation, which is robustly classical with an Ionic colonnade to the first and second storeys. Of its kind it is a very good composition indeed ; solid, compact and well proportioned. On the pediments of the entrance and flanking windows are sculptured figures, as good as anything of their kind in London, by the late Mr. Henry Poole, R.A., but it is in the interior that the story of insurance is told in full. The circular general office, lined with marble and mosaic in a scheme of green, purple and white, has a continuous frieze of bronze reliefs, illustrating "Life," by Mr. F. Lynn Jenkins, and a stained-glass window, by Mr. J. Dudley Forsyth, and in the upper hall there are windows by Professor Gerald Moira, who also painted an allegorical composition of "Providence protecting Childhood, Chastity and the Fruits of Abundance from the Evil Powers" for the ceiling of the board room. But in all the interiors there are symbolical decorations, some of them very charming in detail.

THE CLASSICAL TRADITION

To turn from this building—a museum of insurance art as it might be called—to the very latest example, Royal London House, the headquarters of the Royal London Mutual Insurance Society, designed by Mr. J. J. Joass, on the north side of Finsbury-square, is to have it brought home how far we have travelled in insurance architecture during the last 20 years—partly, no doubt, through the economies imposed by the War, but more certainly by a firmer grasp of practical requirements in commercial building and a clearer recognition of contemporary methods of construction. The building is still c[illegible]l, but it is classical



A CITY BOARD ROOM.—One end of the Directors' Room in the new offices of the Commercial Union Assurance Company, Cornhill. It is panelled in English oak, with carvings by Mr. Laurence Turner. The architects were Sir Aston Webb, R.A., and Son.

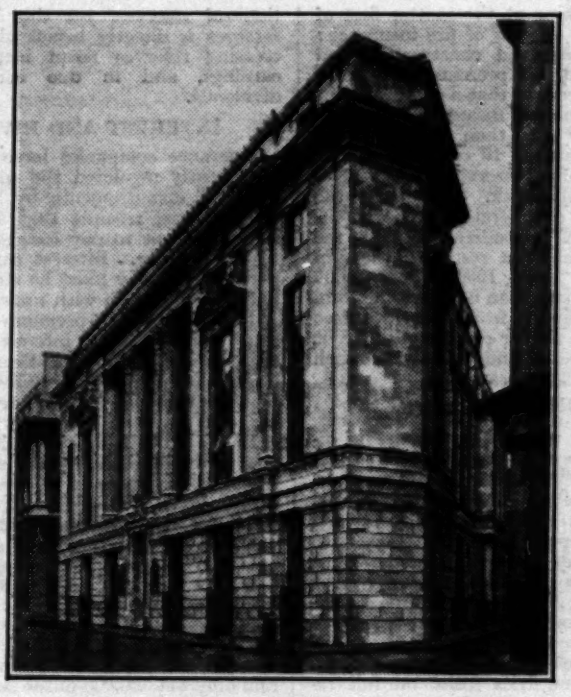
without orders, and there is very little added ornament. It is interesting to recall, in passing, that one of the earliest buildings in London to show a simplified treatment of classic, the Royal Insurance building, at the top of St. James's-street, was the work of the same architect in partnership with the late Mr. Belcher. Other well-known and appreciated examples of their work are Holy Trinity, Kingsway, and the Royal Society of Medicine building. The principal feature of Royal London House is a tall tower, 250ft. high—or 19ft. higher than the Monument—and though it cannot be denied that the tower starts rather suddenly from the rectangle of the façade, it is well proportioned, and, when floodlit at night, should be a stimulating addition to the skyline of London. Up to the second floor the building is faced with Cornish granite, the remainder with Portland stone, and the arched recess in the centre and the flanking windows make an excellent composition. The entrance hall is constructed of solid Travertine with monolith columns. In plan the building is very simple and logical, like two capital E's, back to back, with a central corridor, so that there are four open areas for daylight. The board room and directors' rooms are panelled in Cuban mahogany and the building is glazed throughout with Vita glass.

Another recent building which gets down to the "brass tacks" of insurance business without departing from the classical tradition is that of the Commercial Union Assurance Company, in Cornhill, designed by Sir Aston Webb, R.A., and Son. Here the steel frame construction which is the rule in modern buildings is admirably expressed in a Renaissance façade. The principal elevation really resolves itself into one large window, of nine panes, under a pediment. The upright bars of this window are treated as fluted pilasters, the horizontal bars as light aprons of stone with symbolical carving, the shallowness of the masonry "skin" being frankly confessed. As may be remembered, this building, which is a good neighbour to the new headquarters of Lloyds Bank, came into prominence through a subsidence which caused the collapse of part of its parent in 1927. There is a very fine entrance hall, carried up to the full height of the first storey, the mezzanine floor being treated as a gallery, and from the entrance hall one looks down into the City Branch Office, which is sunk three feet, with a great gain in light and in the effect of space, the whole organization of the office being taken in at a glance. The board room, though it is rather awkwardly placed behind the pediment, is a very pleasant interior, panelled in English oak, with carvings by Mr. Laurence Turner. But what strikes one most of all about the building is the originality shown in adapting traditional architecture to modern requirements and methods of construction.

This and Royal London House are the two most recent insurance buildings in London, but several others—such as the Atlas, in King-street, Cheapside, and the Royal Exchange Assurance, in the old premises of Lloyd's at the Royal Exchange—are being, or have been recently, enlarged or reconstructed with a view to bringing them into closer accord with modern requirements, and there are many insurance buildings of a somewhat earlier date which deserve a few words in passing.

AN EXAMPLE OF REFINEMENT

An example of singular refinement is that of the London Life Association, in King William-street, designed by Mr. W. Curtis Green, A.R.A., with its elegant use of the Corinthian order and quietly dignified interiors; and another building—erected in 1924—with a somewhat similar feeling, though here Grecian Doric is employed, is the Gresham Life Assurance Society's office, beside St. Dunstan's-in-the-West, designed by Mr. W. Campbell Jones. This building has an attractively simple general office, lined with light grey-veined marble. The Norwich Union Insurance building, distinguished by its Ionic colonnade to the third floor, with an entrance to Serjeants' Inn beneath, is remarkable for the ingenuity shown in dealing with a difficult site—long, but shallow from front to back. The entrance hall, which has a painted frieze by Mr. George Murray, is planned with the offices round an oval space for clients, thus gaining the maximum of accommodation in limited room. It was designed by Messrs. Howell and Brooks and erected in 1911-12. Other buildings which combine architectural merit with convenient planning are the London Assurance, in King William-street, designed by Messrs. Campbell Jones and Smithers ; the Guardian Assurance, in the same street, designed by Mr. C. L. Anderson ; and the Friends Provident and Century Office, designed by Mr. A. W. Roques, and the London and Lancashire Insurance House, designed by Messrs. M. E. and O. W. Collins, both in Leadenhall-street. The new Lloyd's, designed by Sir Edwin Cooper, A.R.A., has been so recently described and illustrated in *The Times* that it need only be mentioned here.



NEW ASSURANCE BUILDING.—The new offices of the London Life Association in King William-street. They were designed by Mr. W. Curtis Green, A.R.A.

INSURANCE OFFICES' CHARITIES

THE BENEVOLENT FUND AND THE ORPHANAGE

(By C. H. Falloon, Chairman of the Insurance Clerks' Orphanage and President of the Insurance Benevolent Fund)

Less than 30 years ago no organization of a benevolent or charitable nature existed in the insurance world. To-day we have two such bodies—namely, the Insurance Clerks' Orphanage and the Insurance Benevolent Fund—both of which have their headquarters at 65, Watling-street, London, E.C.4, office accommodation being generously provided free of expense by the London Salvage Corps.

The Insurance Clerks' Orphanage was founded in 1902 by the late Mr. Albert D. Brookes, of Bristol. Mr. Samuel J. Pipkin, then general manager of the Atlas Assurance Company, was its first chairman, a position he held with distinction till his death in 1927, and the success which has attended the institution is largely due to his personal charm, popularity, and unfailing energies in its interests.

The existence of the Insurance Benevolent Fund is due to a very large extent to Mr. H. P. Blunt, late manager of the Royal Insurance Company, in Newcastle-upon-Tyne, and also to the Insurance Institute of Newcastle-upon-Tyne, whose persistent advocacy resulted in the establishment of the fund in June, 1929. It had long been realized that there was a wide gap in the charitable defences of the prosperous insurance business, and it was felt that the foundation of this fund would go a long way to bridge it over.

The question might well be asked, "Why are such institutions necessary ?" The answer is that the benefits obtainable in certain circumstances from health, pensions, and unemployment insurance and from additional sources of help such as the benevolent funds of certain individual insurance companies and from generous insurance employers are necessarily limited in extent and often far from adequate. Additional assistance is a matter of extreme urgency in many cases—and it must not be forgotten that there are many thousands of insurance employees who are outside the scope of all social schemes and may, from no fault of their own, fall out of employment. The fact that such cases existed was a matter of deep concern to those cognizant of the position, and led to the foundation of these two benevolent institutions.

HELP FOR THE FATHERLESS

The Insurance Clerks' Orphanage is perhaps a misnomer. The word "Orphanage" suggests a home for a child bereft of one or both parents. This institution owns neither homes nor schools. It believes in leaving the children under the mother's care and influence, and it provides, so far as the funds will permit, the education which their father would have given them had he lived. Since the orphanage was founded £176,638 has been received and £76,738 paid in grants. Invested funds of £89,295 have been accumulated, and 390 fatherless children have been helped to become good citizens. Working costs amount to only about 10d. in the £, a commendably low expense ratio which is largely due to those voluntary helpers in the insurance offices who collect subscriptions, arrange theatrical and sporting events, and make special efforts in other directions to help the cause they have so much at heart. Insurance companies have contributed nearly £25,000 to the orphanage since it was established, and a substantial proportion of the balance has been received from generous supporters whose position in the insurance world suggests that they will never become claimants. Although no *bona-fide* application for help has ever been refused, it is still necessary to defer granting assistance to the widow with a child or children below the age of four. It is hoped that the time is not far distant when the general committee will be able to extend its benefactions to the youngest babes in arms, whose need is just as great as that of their older brothers and sisters. This can only come about if continued and increasing support is accorded to this worthy institution.

DONATIONS TO THE FUND

The needs of the Insurance Benevolent Fund are no less urgent. While it is not possible at present to extend the benefits of the fund to the insurance industry as a whole, every member of the Chartered Insurance Institute or the Insurance Clerks' Orphanage, numbering over 20,000 employees, will, in case of necessity, be able to apply to the fund for assistance. No donation or subscription to the fund is necessary to qualify an insurance employee for assistance. Although the fund is in its infancy, a sum of £21,887 has already been collected ; but to achieve the success it deserves the support of all interested will be necessary and a substantial and growing fund will have to be accumulated.

That the fortunate should pay for the losses of the less fortunate is the underlying principle of insurance and is one which should be supported whole-heartedly by all concerned in its application to those who are engaged in the great business of insurance. Neither the Insurance Clerks' Orphanage nor the Insurance Benevolent Fund appeals to the public for funds, but insurance directors and shareholders have not infrequently given tangible expression of their appreciation of the successful results of their offices by sending donations to be devoted to charitable objects associated with insurance—an example to be warmly commended.

THE

LONDON LIFE

Association Limited

with which are associated

The Clergy Mutual Assurance Society
The Metropolitan Life Assurance Society

THE LONDON LIFE does not employ agents on commission or pay commission in any form. In comparison with the average expense ratio of all Ordinary Companies, this results in a saving to the assured of over

£120,000 a year

Particulars of any class of Life Assurance will be given with pleasure and without charge.

H. M. TROUNCER,
Actuary & Manager.

81, King William Street,
LONDON, E.C.4.

Guardian Assurance Company Ltd.

ESTABLISHED 1821

Capital Subscribed - - £2,059,971
Capital Paid Up - - - £1,024,578

Head Office :
68 King William Street, London, E.C.4

Chairman : The Hon. EVELYN HUBBARD
Deputy-Chairman :
Colonel LIONEL H. HANBURY, C.M.G.
Vice-Chairman : E. HENRY LOYD, Esq.

□ □ □

The Company transacts all the principal classes of Insurance Business

Total Income - £3,020,000
Total Funds - £12,080,000

THE
ROYAL EXCHANGE
ASSURANCE

INCORPORATED A.D. 1720

transacts all classes of Insurance and undertakes the duties of Executor and Trustee

For more than
200 years
the address of the Head Office has been
THE ROYAL EXCHANGE, LONDON.

SECURITY FIRST

ROYAL
INSURANCE
COMPANY
LIMITED

TOTAL FUNDS - £39,764,766

ALL CLASSES OF
INSURANCE EFFECTED

HEAD OFFICES:
LIVERPOOL - North John Street. LONDON - Lombard Street.

£3 per week income from £1000 Capital
OVER 15% INTEREST!

Where can be found a *SAFE* investment which will yield your widow or other dependants an income of £3 a week from each £1,000 of capital?

A £1,000 "Safeguard" Policy provides in the event of your death:—

(1) £3 a week for your widow or other dependants during a period of 20 years from the date of the Policy, and

(2) £1,000 in cash at the end of the period.

As an illustration, a man aged 35 next birthday will set aside just over £5 10s. a quarter to buy his widow £3 a week and £1,000. What would be the cost in your case?

Proportionate benefits can be secured by larger or smaller Policies, *i.e.*, a £2,000 Policy provides £6 per week, or a £500 Policy £1 10s. per week.

You are invited to write for fuller particulars. If you will state your age, an example to meet your case will be sent to you.

Legal and General Assurance Society Ltd.
10 FLEET STREET, LONDON, E.C.4
Established 1836. *near Temple Bar.* Assets Exceed £21,000,000
General Manager: W. A. Workman, F.I.A.

THE HALL MARK OF
STERLING QUALITY IN
MUTUAL LIFE ASSURANCE

SCOTTISH WIDOWS'
FUND

BY APPOINTMENT

GENERAL ACCIDENT·FIRE·& LIFE

SERVICE THAT EXCELS

ASSURANCE CORPORATION
LIMITED

EVERY CLASS OF INSURANCE BUSINESS TRANSACTED

Assets Exceed £12,000,000

LIFE Established 1837. FIRE & ACCIDENT 1885

Chief Offices: PERTH & LONDON

1805 *125th Anniversary* *1930*

CALEDONIAN INSURANCE COMPANY

FIRE - LIFE - ACCIDENT
MARINE AND GENERAL

LIFE BONUS—Present Rate—£2 8s. per cent. per annum.
Future Valuations will be made Triennially instead of Quinquennially.
Next at 31st December, 1930.
Average Rate of Interest earned in 1929 £5 4s. 7d.% net.

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" " (Sub Office) " " (Sub Office)
Australia House, Strand, W.C.2. 129, High Street, Kensington, W.8.
Marine Department: 4, Fenchurch Avenue, E.C.3. Foreign Department: 5, Lothbury, E.C.2.

BIRMINGHAM: 7, Easy Row.
LEEDS: Martins Bank Chambers, Park Row.
LIVERPOOL: Caledonian Buildings, Tithebarn Street.
MANCHESTER: (Temporary) 26 & 30, Booth Street.
NEWCASTLE: Caledonian Insurance Buildings, Pilgrim Street.
NOTTINGHAM: Exchange Buildings, North.
ABERDEEN: 5, Union Terrace
DUNDEE: 35, Albert Square.
GLASGOW: 64, St. Vincent Street.
BELFAST: 15, Donegall Square South.
DUBLIN: 31, Dame Street.

And at Blackburn, Bristol, Cardiff, Derby, Exeter, Hull, Hanley, Leicester, Northampton, Preston, Sheffield, Southampton, Worcester, Dumfries, Inverness and Perth.

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SCOTTISH LIFE

ASSURANCE COMPANY, LTD.

Now in its Fiftieth Year.

FUNDS £6,000,000
REVENUE from Premiums and Interest 870,000
BONUSES TO POLICYHOLDERS.—An unbroken record throughout the Company's existence.

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London Office: 9 & 10, King Street, E.C.2
President: The Duke of Atholl, K.T.

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Founded 1906. *Incorporated* 1910.

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Vice-Presidents:
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Auditors: JACKSON, PIXLEY and Co.
Head Office and Members' Rooms: 3, ST. HELEN'S PLACE, LONDON, E.C.3.
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Members of the Corporation are entitled to use the designation "Incorporated Insurance Brokers", and must be qualified by Examination or by long experience.

One of the principal objects of the Corporation is to ensure for the community the existence of a class of Insurance Brokers who can be relied upon as being trustworthy and duly qualified to perform their responsible duties.

No official list is published, but the Secretary of the Corporation will be pleased to send the addresses of local members to anyone who wishes to employ an Insurance Broker.—*Advt.*

SAVE YOUR ESTATE
FROM THE HEAVY TOLL OF
DEATH DUTIES

by effecting a Life Assurance Policy for an amount sufficient to cover the duties.

On payment of the first annual premium a capital sum is provided which will liquidate the duties, **leaving your Estate intact.**

THE ANNUAL CASH BONUS POLICY OF THE STANDARD

is an excellent policy for this purpose. The necessary fixed sum assured is provided at the outset at a low cost but a share is given in the profits of the Company by means of an annual Cash Bonus which may be set off against the amount of premium payable thus ensuring an annually decreasing outlay.

A special clause in the policy provides for the proceeds being applied in payment of Death Duties before Probate is granted.

Write for explanatory leaflet "C. B. 25."

The STANDARD LIFE ASSURANCE COMPANY
LONDON 46 QUEEN VICTORIA ST. E.C.4 and 15a PALL MALL S.W.
ESTABLISHED 1825
DUBLIN 59 DAWSON STREET
HEAD OFFICE - 3 GEORGE STREET EDINBURGH

A VIRILE ORGANISATION

The history of the Co-operative Permanent Building Society since its inception in 1884 is one of steady growth and expansion.

A WONDERFUL HEAD-QUARTERS

So marked indeed has been the upward growth of the Society that it was necessary to build up-to-date premises which would suit its special requirements for controlling and organising its provincial offices and agencies and all its national activities. New Oxford House is a wonderful example of organised efficiency. From top floor to basement every modern device for ensuring the health and efficient working of the Society's large staff has been installed. New Oxford House is in a word the perfect business building.

"A GREAT SOCIAL SERVICE"

***The Lord Privy Seal*—THE RIGHT HON. J. H. THOMAS, P.C., LL.D., J.P., M.P. (*Hon. Chairman of the Co-operative Permanent*)—*said:*—**

"There is not only the advantage of security and a maximum return on an investment, but there is the added knowledge that a great social service is rendered to the community. I often wonder whether the community as a whole fully understands and appreciates the great contribution which the Building Society movement makes to the social well-being of our people."

THE RIGHT HON. NEVILLE CHAMBERLAIN, M.P., SAID:—

"The Building Society movement is one of the major influences which are moulding the lives and characters of the people. It truly demonstrates an instinct which tends towards the strength of the State as well as to the independence and self-reliance of the individuals who take part in it."

The Society has assisted no fewer than 29,000 persons to purchase their own homes, and in doing so has advanced by way of mortgage loans the enormous sum of £13,000,000.

The utilisation of the money advanced last year has provided 24,000,000 hours of work for more than 10,000 men employed in the building and allied trades. The Society can therefore claim to have assisted in no small measure in that "great social service" which many prominent statesmen have placed to the credit of the Building Society movement.

THE EVIDENCE OF FIGURES

Ample indication of the expansion of the Society's activities and the trust placed in it by the general public is to be found in comparing the figures for the years 1928 and 1929:—

	1928.	1929.
Receipts	£3,045,249	£4,557,674
Advances	£2,065,291	£3,061,305
Assets	£6,882,343	£9,644,703

A LINK WITH INSURANCE

The Co-operative Permanent believes in and urges those who seek assistance to adopt an insurance policy (under which title deeds are at once surrendered in the event of the death of the borrower) in connection with the purchase of their homes.

5% TAX FREE INVESTMENT

The recent increase in income-tax makes the 5% tax free shares of the Co-operative Permanent especially attractive to investors both large and small—the more so since their money is amply protected by a wide and constantly increasing margin of safety.

A booklet entitled 5% TAX FREE will gladly be sent post free on application to the Secretary, CHARLES RUNCORN, F.L.A.A.

District Offices:
166, Corporation Street, Birmingham.
41, Piccadilly, Manchester.

Scottish Office:
23, Albany Street, Edinburgh.

Manager:
James C. Cessford, C.A.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

ESTABLISHED 1884

Head Office: Dept. T.1,
NEW OXFORD HOUSE,
HART STREET, LONDON, W.C.1.

Hon. Chairman:
The Right Hon. J. H. THOMAS, P.C., LL.D., J.P., M.P.

Managing Director:
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Secretary:
CHARLES RUNCORN, F.L.A.A., F.I.S.A.

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Protection— the best safeguard

The protection so necessary to human life and property is provided by Pyrene Fire Appliances. Every class of fire risk is covered by this extensive range, which includes Pyrene, Phomene, and Conquest Fire Extinguishers.

THE PYRENE FIRE EXTINGUISHER. For all motor vehicles and electrical fires. Fulfils Home Office requirements for private garages, under the new petroleum regulations, if no petrol is stored in cans.

PHOMENE FIRE APPLIANCES. For oil and spirit fires. Hand extinguishers for garages, petrol and oil storage places. Portable engines for factory and depot use. Phomene Foam Generators and Foam installations for large areas, land and marine. Approved by the Board of Trade for oil-burning and motor ships.

CONQUEST FIRE EXTINGUISHER. Soda-acid type. 2-galls. capacity. Operates simply on being turned upside down. For Home, Institution, Factory and Warehouse protection. Approved by Fire Offices committee for rebate purposes.

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(Motor Vehicles, etc.)
REGULATIONS, 1929.

The above regulations necessitate the provision of fire protection for private garages and other petrol storage places. If you do not store petrol, beyond that in your car, meet the regulations by carrying a Pyrene Fire Extinguisher *on the car*. It provides protection on the road as well. If you keep petrol in your garage install a Phomene Extinguisher.

Pyrene TRADE MARK FIRE APPLIANCES

Write for full particulars, stating fire risks involved, to Dept. "T."—
THE PYRENE COMPANY, LTD.,
Fire and Safety Engineers.
GREAT WEST ROAD, BRENTFORD, MIDDLESEX.
Telegrams: "Pyrene, Brentford." Telephone: Ealing 6012 (7 lines).
(Note New Address.)

ROYAL LONDON

MUTUAL INSURANCE SOCIETY LTD.

Founded 1861.

The Head Offices of the Society.

Mutual Life Assurance—
Ordinary and Industrial.
House Purchase, Fire, Accident,
Motor and General Insurance.

ASSETS EXCEED
£22,000,000

ROYAL LONDON HOUSE,
Finsbury Square, LONDON, E.C.2.

Branch Offices and Representatives throughout the Kingdom.

TROLLOPE & COLLS

Built the London Offices for the following Insurance Companies:

Commercial Union Assurance Co.
London Life Assurance Co.
National Freehold Land & Building Society.
Alliance Assurance Co., Ltd.
London Assurance.
Scottish Provident Institution.
Northern Assurance Co., Ltd.
Liverpool & London & Globe Insurance Co., Ltd.
Indemnity Mutual Marine Assurance Co., Ltd.
Edinburgh Assurance Co., Ltd.
Royal Insurance Co., Ltd.
North British & Mercantile Insurance Co., Ltd.
Phœnix Assurance Co., Ltd.
London & Lancashire Insurance Co., Ltd.
Eagle Insurance Co.
Ocean Marine Insurance Co., Ltd.

FACTS about
THE
LIVERPOOL
AND
LONDON
AND
GLOBE
INSURANCE COMPANY LIMITED

¶ Has operated successfully for 93 years.

¶ Is represented in 92 different countries, colonies or dependencies throughout the world.

¶ Its policies and contracts are printed in 16 different languages.

¶ It transacts 50 forms of insurance.

¶ Its total funds are £24,082,460.

¶ Its total income in 1929 was £13,060,299.

¶ Its total claim payments amount to £154,312,257.

THE LIVERPOOL & LONDON & GLOBE places at your disposal a world-wide organisation for which no insurance is either too great or too small.

HEAD OFFICE: 1, Dale Street, LIVERPOOL.
LONDON (Chief Office), 1, Cornhill, E.C.3.

Branches and Agencies throughout the world.

ALLIANCE
Assurance Company Limited.
Established in 1824.
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OF EVERY KIND

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Comprehensive Deferred Assurances for Children.

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All kinds of insurances are granted, including Employer's Liability, Personal Accident, Plate Glass, Fidelity Guarantee and Live Stock.
Comprehensive Policies for Motor Vehicles.

For full information apply to the Head Office or to any of the offices or Agents of the Company.
A. LEVINE, *General Manager.*

There is more than one way of investing

The CLERICAL, MEDICAL & GENERAL LIFE ASSURANCE Society will be happy to place the experience of 106 years at your disposal if you write to:—

THE GENERAL MANAGER,
15, St. James's Square, London, S.W.1.

The Scottish Temperance and General Assurance Company, Limited.

Life Funds - - £6,377,485
Premium Income £612,532

Moderate Rates of Premium.

LAST BONUS DECLARATION
£2 4 0 to £3 10 9 per cent.

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Death duties

£10,000 can be provided at death by an annual premium of
£204 15s from age 40
£307 4s ,, 50
£490 ,, 60

No office publishes lower premiums for such without profits assurances than

The Equitable Life Assurance Society,
founded 1762,
19, Coleman Street, London, E.C.2.

No shareholders No commission

ANNOUNCING
THE LATEST DEVELOPMENT IN LIFE ASSURANCE:—
The Married Man's Policy

(1) GUARANTEED INCOME OF 10% for a period of years & (2) A cash payment of the FULL CAPITAL SUM

Write for particulars to:
THE SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY
Head Office: 28, ST. ANDREW SQUARE, EDINBURGH
London Office: 13, CORNHILL, E.C.3

PROVIDENT MUTUAL
LIFE ASSURANCE ASSOCIATION
25-31, MOORGATE, LONDON.

VERY LOW RATES for Death Duties

EXCELLENT BONUSES—with Profit Policies

PREMIUMS can be paid MONTHLY by Banker's Order

C. R. V. COUTTS,
Manager & Actuary.

AUSTRALIAN MUTUAL PROVIDENT SOCIETY

THE LARGEST BRITISH MUTUAL LIFE OFFICE
ESTABLISHED 1849 IN AUSTRALIA.

London Office.

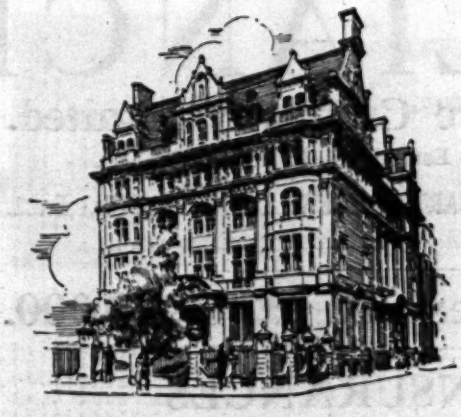
Invested Funds, about
£78,000,000
Annual Income over
£11,500,000

LOW PREMIUMS
LARGE BONUSES
LIBERAL CONDITIONS
A.M.P.
EVERY YEAR A BONUS YEAR

APPLY FOR FULL PARTICULARS
73-76 King William Street, London, E.C.4

The EMPLOYERS' LIABILITY ASSURANCE CORPORATION Ltd.

ESTABLISHED 1880



Head Offices:
HAMILTON HOUSE,
VICTORIA EMBANKMENT,
LONDON, E.C.4.

Chief Office for the United States:
SAMUEL APPLETON BUILDING,
BOSTON, MASS.

General Board in London

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SIR COURTAULD THOMSON, K.B.E., C.B., *Deputy-Chairman.*
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SIR PHILIP H. WATERLOW, Bt.

W. E. GRAY, *General Manager.*

FIFTY years ago this Corporation inaugurated the idea of insuring Employers against their liability to their workmen, and is this year celebrating its Jubilee. The outcome of that idea has been the enormous business now transacted in many parts of the world in this class of insurance.

It subsequently added

FIRE - PERSONAL ACCIDENT - MOTOR

and all other kinds of Insurance.

	PREMIUMS	ASSETS
At the end of the first year.. ..	£35,707	£119,414
At the end of the forty-ninth year at 31st December, 1929	£7,686,001	£10,232,068

Branches and Agencies in all the principal Commercial Centres throughout the World.

THE LICENSES AND GENERAL INSURANCE CO., LTD.

ALL CLASSES OF INSURANCE TRANSACTED WITH SECURITY—SERVICE—SATISFACTION

Directors:
CHAIRMAN—A. W. RUGGLES-BRISE, Spains Hall, Finchingfield, Essex.
VICE-CHAIRMAN—LORD ERNEST HAMILTON, 87, Elm Park Gardens, London, S.W.10.
THE HON. REG. PARKER, Chairman of the Tadcaster Tower Brewery Co., Limited, Yorks.
J. ARTHUR DEWAR, Director of Messrs. John Dewar & Sons, Limited, Dewar House, Haymarket, London, S.W.1.
A. R. GILBEY, Messrs. W. & A. Gilbey, Ltd., Pantheon, Oxford Street, W.
General Manager and Secretary:
VICTOR THOMSON

Telephone Nos.: METROPOLITAN 7353 (4 lines). **HEAD OFFICE:** *Telegraph Address:* "PHRONIMOS, AVE, LONDON."

24, 26 & 28, Moorgate, London, E.C.2

National Provident Institution

DIVISION OF PROFITS, 31st DECEMBER, 1930.

INCREASED BONUSES

The Chairman at the recent Annual Meeting said:—"We have in hand now sufficient profit to enable us to declare a bonus at the end of the year at the same rate as we did in 1927. Consequently I cannot anticipate that the 1930 bonus declaration will be anything but entirely gratifying to our policyholders and to all our supporters."

INTERIM BONUSES FOR 1930:—

ON WHOLE LIFE ASSURANCES .. £2 : 15 —%

ON MATURING ENDOWMENT ASSURANCES

AT AGE 60 .. .. £2 : 18 —%
AT AGE 65 .. .. £3 : 3 —%

For all information write to:—
48, GRACECHURCH STREET, LONDON, E.C.3.

TRADE INDEMNITY CO., LTD.

ESTABLISHED 1918.

CAPITAL: Authorised and Issued £250,000 Fully Paid

TRADE CREDITS

The object of the Company is to assist Merchants and Manufacturers to develop Home and Overseas Business by the Insurance of Credits.

The seller is thus enabled to:—

1. **Extend the credits he is in the habit of granting without increasing his liability.**
2. **Transact his usual volume of business with a materially reduced financial risk.**
3. **Open new accounts with greater confidence.**
4. **Discount bills with his Bankers on a larger scale and on better terms.**

The Company is prepared to grant policies insuring approved accounts up to 75 per cent. of the net invoice value of goods sold and delivered in the ordinary way of trade to customers domiciled in almost every part of the world.

In order to facilitate the financing of debts the Company is prepared to grant protection to the Bankers against the event of the Policy being invalidated through neglect or otherwise on the part of the Assured in complying with the Conditions of the Policy.

All enquiries are treated in the strictest confidence.

Prospectus and Proposal Forms can be obtained on application to **77, CORNHILL, LONDON, E.C.3. Manchester Office: Yorkshire House, Cross Street.**

BRITANNIC
ASSURANCE COMPANY, LTD.
Estd 1866

A Prosperous & Progressive Office

TOTAL FUNDS	more than trebled in 10 years	£18,000,000
TOTAL INCOME	more than doubled in 10 years	£4,860,000
PAID IN CLAIMS	Over £1,750,000 Paid in claims in Life Branches alone during 1929	£30,000,000

The Directors' Report for 1929 revealed increased business, increased funds, higher interest yield, substantial additions to Investment Reserve Fund and Pension Fund. A sum of £50,000 was set aside for Bonuses on certain Britannic Industrial Policies becoming claims during the year, and a sum of £200,149 for Bonuses on Ordinary Branch Policies out of the surpluses disclosed at the valuation. In all respects the Report showed a healthy and sound condition, which means security for the policyholder.

All classes of Life, Fire, Accident and General Insurance business transacted, including the following :—

HOUSE PURCHASE

The Company has transacted House Purchase business for more than twenty years and was a pioneer in this class of business. The scheme has been a great success. It has enabled over 8,500 policyholders to own their homes. Under this scheme 75 or 80 per cent. of the approved value, leasehold or freehold respectively, is advanced at 5½% (gross) for a stated term of years from 10 to 30. The advance is accompanied by an Endowment Policy which at the end of the term, or in the event of death during the term, automatically discharges the mortgage, thus giving complete security to the owner and his family.

Explanatory Booklet will be sent on request.

DEATH DUTIES

Policies for £1,000 and over at specially reduced rates of premium for payment of Death Duties or for ordinary family protection are issued by the Company. They are, in normal cases, free of all restrictions as to occupation, foreign travel and warfare. Aviation as a fare paying passenger allowed. Specimen rates :—

Age Next Birthday.	Annual Premium.
30	£16 . 15 . 10
40	£23 . 13 . 4
50	£34 . 19 . 2

These policies give the greatest cover at the lowest cost.

Special leaflet will be sent on request.

A range of attractive leaflets is available for distribution.

Chief Offices :—

Broad Street Corner
BIRMINGHAM

JNO. A. JEFFERSON, F.I.A.,
Chairman and General Manager.

J. MURRAY LAING, F.I.A., F.F.A.,
Secretary and Actuary.

Telephone : Midland 4343
(Private Branch Exchange)

Telegraphic Address :
"Onward, Birmingham"

EVERY EMPLOYER

who has at heart the welfare of his staff is faced sooner or later with the vital question of

PROVISION FOR OLD AGE

How can this problem best be solved?

BY MEANS OF THE

STAFF PENSION SCHEME

OF THE PRUDENTIAL ASSURANCE CO. LTD.

under which contributions are paid both by Employers and their staff

The Scheme Ensures

A. In respect of future service
A PENSION AT 65 OF ONE-SIXTIETH OF AVERAGE SALARY for each year of service after the inception of the plan.

B. In respect of past service
A PENSION AT 65 OF ONE-HUNDRED AND TWENTIETH OF AVERAGE SALARY for each year of service prior to the inception of the plan.

C. **ON DEATH DURING SERVICE.**
A capital sum of one year's salary, together with the return of the contributor's contributions with 3 per cent. compound interest.

D. **A benefit on Total Disablement prior to age 60.**

E. **Return of employee's contributions with 3 per cent. compound interest on leaving employer's service.**

F. **Valuable Options.**
1. Allocation of part pension to wife.
2. Early retirement on reduced pension.
3. Paid up pension on withdrawal in lieu of return of premiums with interest.
4. Continuation of death benefit after leaving service by effecting a policy with the Company irrespective of state of health.

The Scheme applies equally to females with, usually, a retiring age of 60.

The small firm, equally with the large firm, can by this means obtain pensions for its Staff with

CERTAINTY, EQUITY and ECONOMY.

Enquiries Cordially Invited.

SPECIAL ANNOUNCEMENT

INDIVIDUAL ANNUITIES

More favourable Rates

THE PRUDENTIAL has recently revised its rates of annuities and now offers extremely favourable terms, as can be seen from the following examples:—

RATE OF ANNUITY PER £100 PURCHASE MONEY		
Age last Birthday	Male.	Female.
55	£8 3 10	£7 7 2
60	£9 5 4	£8 3 0
65	£10 14 6	£9 5 10

Favourable terms are also available to those desiring Joint and Survivorship Annuities.

The Stamp Duty is paid by the Company.

The PRUDENTIAL

ASSURANCE COMPANY LIMITED

CHIEF OFFICE - - HOLBORN BARS, LONDON, E.C.1

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